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Supreme Court of the United States

OCTOBER TERM, 1955.

No. 478

NATIONAL ALUMINATE CORPORATION,
Petitioner,

vs.

HALL LABORATORIES, INCORPORATED, THE BUROMIN COMPANY, CALGON, INCORPORATED AND HAGAN CORPORATION,
Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

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October, 1955.

THE GUNTHROP-WARREN PRINTING COMPANY, CHICAGO

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Respondents.

PETITION FOR A WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT.

Petitioner, National Aluminate Corporation, defendant-appellee in the court below, prays that a writ of certiorari issue to review the judgment of the United States Court of Appeals for the Third Circuit, entered June 22, 1955.

CITATION TO OPINIONS BELOW.

The opinion of the Court of Appeals is reported at 224 F. (2) 303, copy appended beginning at page 25, *infra*. Copy of the judgment of the Court of Appeals is appended, page 38, *infra*. The opinion of the District Court for the District of Delaware, including Findings of Fact and Conclusions of Law, is reported in 120 F. Supp. 684, copy appended

beginning at page 39, *infra*. The judgment of the District Court was entered April 29, 1954, copy appended at page 64, *infra*. Two earlier interlocutory opinions of the District Court in this case are reported in 93 F. Supp. 376 (denying petitioner's motion for summary judgment and suggesting limit of issues of case) and 95 F. Supp. 323 (granting petitioner's motion for separate trial on single issue).

Pursuant to Rule 21 of the Rules of this Court petitioner has filed with the Clerk a certified transcript of the proceedings in the Court of Appeals, and a certified copy of the Appendix to Brief of Plaintiffs-Appellants and of the Appendix to Brief of Defendant-Appellee, both filed in the court below pursuant to the rules of that court. The certified transcript of proceedings in the Court of Appeals will be referred to as "Tr.," with the date of filing of the document, the transcript bearing no page numbering. The pages of said Appendices to Briefs of Plaintiffs-Appellants and of Defendant-Appellee in the court below will be referred to as "___a", and "___b", respectively, that being the pagination used under the rules of that court.

JURISDICTION.

The judgment of the Court of Appeals was entered on June 22, 1955. Rehearing was denied August 8, 1955 (Tr. 8/8/55), on National Aluminate Corporation's petition which had been duly filed July 22, 1955 (Tr. 7/22/55), pursuant to order extending time for said petition to July 25, 1955 (Tr. 7/11/55). The jurisdiction of this Court is invoked under 28 U. S. C., Sections 1254 (1) and 2101 (c).

QUESTIONS PRESENTED.

1. When a patent license agreement has been entered into as part of the compromise and settlement of patent infringement litigation, does the rule of *Scott Paper Company* v. *Marcalus*, 326 U. S. 249 (1945) (*i. e.* that a patent assignor when sued for infringement of the assigned patent may prove non-infringement by showing that the alleged infringing product is precisely that of a prior expired patent) permit the licensee to avoid the settlement and to contest liability for the royalties payable under the license agreement on the ground that some of the alleged prior art patents which had been cited in the litigation expired after the suit was settled?

2. Does the rule of the *Marcalus* case apply to a suit between a patent licensor and licensee where the issue is that of liability for agreed royalties and not patent infringement?

3. If the answer to the second question is affirmative, does the rule of the *Marcalus* case apply when the alleged prior art patents on which licensee seeks to rely did not expire: (a) Until after entry into the license agreement; (b) Until after the filing of the suit in which liability for royalties is the issue?

4. If the answer to the second question is affirmative, does the rule of the *Marcalus* case apply when the licensee has agreed to pay royalties based on the practice of a process specifically defined in the license agreement, and which he is admittedly practicing?

STATEMENT OF FACTS.

Petitioner, National Aluminate Corporation, will be referred to as "Nalco", and respondents, Hall Laboratories Incorporated, The Buromin Company, Calgon Incorpo-

rated, and Hagan Corporation, companies which are affiliated under generally the same management, will be referred to as the "Hall companies". Nalco and the Hall companies are competitors in the field of water treatment.

This petition for certiorari, which results from almost a decade of litigation, presents some basic legal issues. We believe that these issues can best be understood in the light of a brief chronological statement of the facts.

Nalco is the owner of U. S. Letters Patent No. 2,358,222 issued September 12, 1944, known as the "Fink-Richardson patent". It relates to the treatment of industrial water to prevent the formation of incrusting deposits on feed water lines through the addition to the water of minute quantities of polyphosphoric acid compound, certain of the claims being directed to the addition of from 1 to 3 and not more than 9 parts per million of the compound.

The Fink-Richardson application was filed July 25, 1936 (47a), a continuation in part being filed in 1940 (47a). On May 23, 1937 Hall filed an application relating to the same subject matter (19b) and in August 1941 an interference was declared between the Fink-Richardson application and the Hall application (62b). Fink-Richardson proved prior dates of invention (59b) and the patent issued September 12, 1944 (47a).

On March 17, 1945, the Hall companies filed a declaratory judgment complaint against Nalco in the United States District Court for the District of Delaware, C. A. 538, seeking an adjudication that the Fink-Richardson patent was invalid and not infringed by the activities of the Hall companies (22b). Their activities were specifically set forth in the complaint, and involved the addition of 1 to 3 and not more than 9 parts per million of the polyphosphoric acid compound to the water. Nalco filed an answer and counterclaim charging infringement (Dk. Ent. 30; 4a).

The Hall companies, in their complaint and their reply to the counterclaim (27b) alleged as anticipating prior art the Judson Patent, No. 1,924, 861, which issued August 29, 1933, the Rosenstein Patent, No. 2,038,316, which issued April 21, 1936 and the Burk Patent, No. 2,063,788 which issued December 8, 1936. These are the same patents as to which the Court of Appeals has now directed a hearing (p. 34, *infra*).

Both sides took extensive depositions (9a). The depositions taken by Nalco disclosed that the Hall companies had had actual knowledge of the Judson, Burk and Rosenstein patents in 1937 when Hall applied for a patent on the subject matter of Fink-Richardson.* Further, under Patent Office procedure Hall was entitled to file a motion to dissolve the Interference on the ground of unpatentability of the invention but did not do so (62b).

In January 1948, after the case had been pending for almost three years, Nalco and the Hall companies reached an agreement settling the controversy, which settlement involved entry into a license agreement dated January 29, 1948, which is involved in the present litigation (38a), a release of claims for past infringement of the Fink-Richardson patent by the Hall companies in consideration of a cash payment, a covenant not to sue under a patent not here involved, and the entry of an agreed judgment of dismissal.

The agreed judgment was entered by the District Court on February 10, 1948 (33b). It set forth that

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*The Hall interests had knowledge of the Burk patent since December 1936 (58b-59b). They had knowledge of the Judson patent since January 1937 (57b). They entered into a contract to purchase the Rosenstein patent November 23, 1936 (Assignment Records, U. S. Patent Office, Liber V-170, p. 408).

> "it having been represented to this Court by counsel for plaintiffs and counsel for defendant that the parties hereto have compromised and settled this controversy and that the defendant has granted a license to the plaintiff under the Fink-Richardson Patent No. 2,358,222",

the complaint and counterclaim were dismissed.

The license agreement of January 29, 1948 (38a) settled the issues presented in the litigation. In its recitals (a) and (b) the Hall companies' practices were again expressly defined as the treatment of incrusting water with a polyphosphoric acid compound by addition of the compound to the water in minute amounts "usually on the order of one to three parts per million and sometimes in amounts up to nine parts per million" (38a). It was expressly recited that this treatment constituted participation in the practice of the inventions claimed in the Fink-Richardson patent. The agreement provided for a royalty at the rate of ½¢ per pound of any such compounds used in the practice of the claimed inventions, such royalty to be payable quarterly.

On January 31, 1949, after making three quarterly royalty payments under the license agreement, the Hall companies brought their second declaratory judgment action against Nalco in the United States District Court for the District of Delaware (C. A. 1192) seeking an adjudication that they are not required to pay royalties on account of their practices (1b). The practices involved are exactly the same as in the first suit, and precisely the practices recited in the license agreement, involving the treatment of incrusting water by the addition of 1 to 3 and sometimes up to 9 parts per million of polyphosphoric acid compound (pp. 33, 45, *infra*).

The complaint (1b) realleged all the prior art cited in the first case, including the Judson, Rosenstein and Burk

patents. However it also cited as new prior art a chemical textbook by a German chemist named Fresenius published in 1891, alleging that the Fresenius text, as interpreted in the *Economics* case referred to in the next paragraph herein "alone or in conjunction with" the other alleged prior art "anticipates all material and substantial parts of the Fink-Richardson patent".

The Hall companies sought to justify their second suit by asserting that a "new situation" had arisen involving the Fresenius text, as interpreted in *Hall Laboratories Incorporated* v. *Economics Laboratories, Inc.* (D. C. Minn. 1947), 72 F. Supp. 683. In brief, that was a patent suit brought by Hall Laboratories, one of the respondents herein. Nalco was not a party to that litigation nor was the Fink-Richardson patent in any way involved. In that case Hall's patent was declared anticipated by the Fresenius text, the decision of the District Court being handed down May 21, 1947, eight months before the Hall companies' settlement with Nalco. The Hall companies asserted in their second declaratory judgment complaint herein as a "new situation", the fact that the Eighth Circuit had *affirmed* the decision of the District Court in its entirety, *Hall Laboratories, Incorporated* v. *Economics Laboratories, Inc.*, (C. A. 8, July 6, 1948), 169 F. (2) 65, whereas they said they had believed the judgment would be reversed.

The second declaratory judgment complaint advanced a number of reasons why the Hall companies should not pay royalties. In the prayer the complaint asserted "eviction" and that plaintiff's activities were "justified by" the prior art, but the complaint also contained allegations that their activity "corresponds" to the teachings of Fresenius (Par. 12; 6b), and allegations of anticipation by Fresenius plus the other cited art, which were of course direct attacks on the validity of the Fink-Richardson patent (Par. 13, 14; 6b).

The jurisdiction of the District Court was invoked under Section 274-D of the Judicial Code, 28 U. S. C. 400 (now 28 U. S. C. 2201, 2202). The complaint alleged diversity of citizenship between each of the Hall companies and Nalco, and that the amount in controversy exceeds Three Thousand Dollars, exclusive of interest and costs.

Nalco filed motion for summary judgment, with the Hall companies opposing said motion. The bases of the motion and the grounds of opposition are well summarized in the opinion of the District Court denying the motion, *Hall Laboratories Incorporated* v. *National Aluminate Corporation* (D. C. Del. 1950), 93 F. Supp. 376. In brief Nalco asserted that the Hall companies were estopped to contest validity or to deny that they were not practicing the invention or that they were liable for royalties. The Hall companies relied mainly upon the assertion that under *Scott Paper Co.* v. *Marcalus Mfg. Co.*, (C. A. 3, 1945), 147 F. (2) 608, affirmed 326 U. S. 249, they should be allowed to rely upon all prior art, and should be excused from paying royalties if their activities "correspond with the prior art". In denying summary judgment Judge Leahy stated that it was his "present thought" that the *Marcalus* doctrine did not apply, but that he desired to hear evidence as to whether or not the Hall companies' practices did correspond with the Fresenius text.

Nalco then filed its motion for a separate trial on the single issue whether the Hall companies' practices correspond with the teachings of the Fresenius text, which motion was granted. *Hall Laboratories Incorporated* v. *National Aluminate Corporation* (D. C. Del. 1951), 95 F. Supp. 323.

The District Court held a hearing on September 14-16, 1953 on the issue whether or not the Hall companies' practices correspond with the teachings of the Fresenius text.

The Court handed down its opinion with Findings of Fact and Conclusions of Law on March 24, 1954, 120 F. Supp. 684 (p. 39, *infra*). In summary the Court held that the Hall companies were estopped to contest validity of the Fink-Richardson patent, to contend that they had been "evicted" from the benefits of the license agreement, or that their activities were "justified" by the alleged prior art, both because of the license agreement and because of the fact of settlement of the previous litigation. The court held that in any event the Hall companies have not been evicted and that their practices do not correspond to the teachings of the Fresenius text. In reaching its decision the Court pointed out that *Automatic Radio Mfg. Co. v. Hazeltine Research, Inc.*, 339 U. S. 827 (1950) had resolved any doubt which might have existed as to whether a licensee is estopped to contest validity. The Court held that he did not consider the rule of the *Marcalus* case applicable, and pointed out that under *Marcalus* it is necessary to show that the practices in question are "a Chinese copy" or "precisely those" of the expired patent, which the Hall companies had not done.

Judgment was entered April 29, 1954 dismissing the complaint and ordering the payment to Nalco of royalties which had been deposited with the Clerk (p. 64, *infra*).

The Hall companies appealed the decision to the Court of Appeals for the Third Circuit, and asserted that by reason of the *Marcalus* doctrine, the District Court should have permitted them to rely on all the prior art cited to justify non-payment of royalties. They also asserted that the District Court was in error in holding that their practices do not correspond with the teachings of the Fresenius text.

In its decision, handed down June 22, 1955 the Court of Appeals pointed out that there was "no dispute that the practices of Hall are within the Fink-Richardson patent

and the license agreement". The Court affirmed the opinion of the District Court that the Hall companies are estopped to contest the validity of the Fink-Richardson patent by reason not only of the compromise and settlement of the prior litigation but also because a licensee is estopped to contest validity.

However the Court of Appeals vacated the judgment of the District Court and remanded the cause for further proceedings on the basis of "a new disclosure which came to light on this appeal," namely, the fact that the Judson, Rosenstein and Burk patents had expired after the filing of the suit but prior to filing of the District Court's opinion on March 24, 1954. The Judson patent had expired August 29, 1950, the Rosenstein on April 21, 1953, and the Burk patent on December 8, 1953. As the Court indicated, the Hall companies never amended their pleadings in the trial court to allege the fact of these expirations. Also, on their appeal, the fact of expiration of the Judson and Burk patents was referred to but not argued (Rosenstein was not mentioned) in their opening and reply briefs, in connection with the argument that all prior art should be considered under the *Marcalus* doctrine. Nevertheless, the Court said the issue remained whether the "expired patents correspond with Fink-Richardson." The Court stated that these patents had to be considered by reason of the *Marcalus* decision, and accordingly vacated the judgment and remanded the cause for further proceedings consistent with the opinion.

Because of the foregoing circumstances, the question whether the expiration of the Judson, Rosenstein and Burk patents could constitute a basis of avoiding the estoppels imposed by the settlement and license was never argued in the Court of Appeals. Nalco accordingly filed a petition for rehearing (Tr. 7/22/55), but the petition was denied on August 8, 1955 (Tr. 8/8/55).

ARGUMENT.

Scope of Review Requested.

Petitioner (Nalco) seeks a review of that portion of the decision of the Court of Appeals which vacates the judgment below and remands the case for a hearing on the question whether the Fink-Richardson patent corresponds with the Judson, Rosenstein and Burk patents.

1. The decision of the Third Circuit, ignoring the binding effect of the compromise and settlement, is not justified by the decision of this Court in Scott Paper Co. v. Marcalus Manufacturing Co., 326 U. S. 249, and is inconsistent with the decision of the First Circuit in Automatic Radio Manufacturing Co. v. Hazeltine Research, Inc., 176 F. (2) 799.

Through most of its opinion the Court of Appeals recognized and held that the Hall companies are estopped to contest validity of the Fink-Richardson patent or its applicability to their practices, by reason of the license agreement and because these issues were disposed of in the compromise and settlement of the previous litigation. The court said in part (p. 33, *infra*):

> "The effect of the compromise of that suit, of which the license agreement was a part, was to settle for the parties the question of the relevance of the prior art. Hall has successfully *laid to rest the question of the validity of the Fink-Richardson patent, insofar as the prior art is concerned, and its applicability to its practice,* which even now is conceded to be that of the Fink-Richardson patent."*

* Emphasis added in all quotations unless otherwise indicated.

However in the last paragraph of its decision the court observed that the Judson, Rosenstein and Burk patents had expired during the pendency of the litigation, and held that defendants should be given a hearing on the question "whether the expired patents correspond with Fink-Richardson." These three patents had each been specifically pleaded in the first suit which had been compromised and settled.

The Court apparently felt required to reach this conclusion, and to by-pass the settlement, by reason of the decision of this Court in *Scott Paper Co.* v. *Marcalus Mfg. Co.*, 326 U. S. 249 (1945). The *Marcalus* case was a suit for infringement of the Marcalus patent, brought by an assignee of the patent against his assignor. In the District Court the assignor, for the purpose of showing non-infringement, sought to rely on evidence that the alleged infringing device, and the Marcalus patent, were exact or "Chinese copies" of the Inman patent, which had expired even before the Marcalus patent had been applied for. The question presented was whether the assignor should be permitted to make such a showing or whether, as assignor of the Marcalus patent, he was estopped to contest its validity.

The Court of Appeals held in *Marcalus*, (C. A. 3, 1945), 147 F. (2) 608, that the assignor was not estopped to show that he was following a prior expired patent, but also suggested that the doctrine of estoppel to contest validity should be rejected. This Court in its opinion found it unnecessary to pass on the question whether the doctrine of estoppel still survived but held that since "the accused machine is precisely that of an expired patent" (326 U. S. at 254), the assignor should be allowed to establish that fact since no one can deprive the public of the use of an expired patent which the public has purchased through the grant of the seventeen year patent monopoly (326 U. S. at 256-257).

There is no basis in the *Marcalus* case for the conclusion that a *licensee* must be allowed to repudiate a settlement merely because alleged prior art patents have expired since the settlement was made. Also, the *Marcalus* case did not involve any compromise or settlement but merely a purchase and sale of a patent. The decision below in this case does not constitute an application of the *Marcalus* case, and is in direct conflict with the policy of the law which "has always been to promote and sustain the compromise and settlement of disputed claims".*

The decision below is in direct conflict with the decision of the First Circuit in *Automatic Radio Mfg. Co.* v. *Hazeltine Research* (C. A. 1, 1949), 176 F. (2) 799, affirmed by this Court 339 U. S. 827. In the *Hazeltine* case the license in question had been entered into in settlement of earlier litigation between the parties. A brief history of the previous litigation leading up to the license agreement appears in *Hazeltine Research* v. *Automatic Radio Manufacturing Co.* (D. C. Mass. 1948), 77 F. Supp. 493, 495. Automatic Radio sought to contest validity of the licensed patents on grounds which, as shown by the Transcript of Record in the Supreme Court in the *Hazeltine* case, October Term, 1949, No. 455, included the suggestion that all of the Hazeltine patents may have been anticipated by the RCA pool of 104 patents "all of which have now expired" (Affidavit of George K. Woodward, Supreme Court, Transcript of Record 175; see also Affidavit of Leo A. Kelley, Supreme Court Transcript of Record 210-211, where two *Hazeltine* patents were compared with two prior expired patents). Nevertheless the Court of Appeals of the First Circuit did not permit a contest of validity of any of the *Hazeltine* patents, but applied the public policy

* *Chicago and North Western Railroad Co.* v. *Wilcox* (C. A. 8, 1902), 116 Fed. 913, 914.

favoring the enforcement of settlements, saying (176 F. (2) at 806):

> "It is not uncommon for the parties to a patent infringement suit, in which there is a genuine issue as to the validity of the patent, to make a settlement of the litigation by an agreement under which the patentee gives a license to the alleged infringer in consideration of the payment of a stipulated royalty. Indeed, the license agreement in suit seems to have been by way of settlement of earlier litigation between the parties. *It is not apparent to us that the public interest would be served by rendering such common-sense business settlements nugatory,* which would be the result of a ruling that the licensee could reopen the issue of validity when sued for the stipulated royalty."

The remand of the instant case for a hearing on the effect of expired patents would be particularly inequitable under the circumstances here presented. This is not a case of newly discovered art. The Judson, Rosenstein and Burk patents were known to the Hall companies over seven years before Fink-Richardson issued, and each was expressly pleaded as prior art in the first suit. With full knowledge the Hall companies settled the litigation and represented to the Court that the controversy had been "compromised and settled" (33b). Yet if the decision below is to stand, the Hall companies will be permitted to contest those very issues which they settled, solely by reason of the fact that the alleged prior art patents have expired.

The practical consequences of this decision are unique, to say the least. If it is to stand, it means that the compromise and settlement was binding from January 29, 1948, when it was made, until August 29, 1950 when the Judson patent expired. On that date the Hall companies became entitled to a hearing a to whether or not the Fink-

Richardson patent and the Judson patent are the same. Then, if there had been an adjudication against Hall, the settlement would have become binding again until April 21, 1953 when the Rosenstein patent expired; and so on, so long as any alleged prior art patents continued to expire.

This "off again, on again" policy would have far reaching effects adverse to the public interest. Patent owners involved in infringement suits or controversies would be averse to settling them and granting licenses if the settlements are not to be binding on the licensee. Under this decision the only way finally to dispose of any such controversy will be to carry the matter through to final judgment. If the subject matter of a settlement agreement can be periodically reopened and relitigated there would be no point in making a settlement. The obvious result of this decision, if it is allowed to stand, will be to discourage settlements and foster litigation.

There is another point of great public importance involved, namely the public interest in private good faith. It is contrary to business morality to lay down a rule of law which will permit one who has voluntarily agreed to a settlement of disputed issues to reopen those issues merely because the alleged prior art patents have become expired patents by reason of the lapse of time.

2. The decision of the Court of Appeals is in conflict with the decisions of this Court in Automatic Radio Mfg. Co. v. Hazeltine Research, Inc., 339 U. S. 827, and in United States v. Harvey Steel Co., 196 U. S. 310, and the decisions of the Sixth Circuit in Reynolds Metals Co. v. Skinner, 166 F. (2) 66, and in Cold Metal Process Co. v. McLouth Steel Corp., 170 F. (2) 369.

We suggest that *Automatic Radio Mfg. Co.* v. *Hazeltine Research, Inc.*, 339 U. S. 827 (1950) established that the *Marcalus* case does not apply to a suit between licensor and licensee of a patent, where the question is that of liability for royalties and not a question of infringement. In the *Hazeltine* case Automatic Radio sought to contest validity of the licensed patents on grounds which, as we have shown (p. 14, *supra*), included the proposition that all of the patents had been anticipated by the RCA pool of 104 patents "all of which have now expired". Nevertheless this Court, as well as the Court of Appeals of the First Circuit, held that Automatic Radio was required to pay royalties for the right to practice the subject matter of the Hazeltine patents and patent applications, and that Automatic Radio would not be permitted to contest the validity of the licensed patents.

If the public interest demanded that a licensee should not be required to pay royalties to practice subject matter which might be covered by prior expired patents, then certainly Automatic Radio would have been permitted to try to show that the inventions licensed to it were "precisely that" of the prior expired patents. However, the licensee was not permitted to make this attack.

That the Sixth Circuit construes the *Marcalus* case to be limited to infringement actions is shown in *Reynolds Metals Co.* v. *Skinner Co.* (C. A. 6, 1948), 166 F. (2) 66, 72, cert. den. 334 U. S. 858. In that case the court said:

> "The controversy involves not a question of infringement, but a question of royalties due under a contract • • • Since the issue is not of infringement we are not concerned with the prior art • • • and the rules announced in infringement cases such as *Scott Paper Co.* v. *Marcalus Mfg. Co., Inc.*, 326 U. S. 249 • • • have no bearing here."

We suggest that there is a very significant difference between an infringement action and a suit for royalties, as concerns the right of the public to use the subject matter of expired patents. In the assignor-assignee situation, such as was presented in *Marcalus,* the suit is for infringement, and if the assignee prevails then the assignor may be enjoined from making, using or selling the product, method or apparatus involved. Unless he were permitted to show that his practices followed the prior expired patent, he, a member of the public, would be prevented from practicing the invention which the public had bought and paid for. On the other hand, in a suit for royalties the licensor does not seek to prohibit the licensee from making, using or selling anything, but seeks only to collect the agreed royalties.

That the license creates no prohibition on use is clearly evidenced in the opinion of this Court in the *Hazeltine* case. Under the license agreement Automatic Radio was required to pay royalty based on its production of radio apparatus as specified in the license agreement, whether or not covered by the licensed patents. This Court held nevertheless, in discussing the defense of misuse of patents that (339 U. S. at 831):

> "Nor is there any prohibition as to the licensee's manufacture or sale of *any* type of apparatus."

In other words, the fact that the royalty was measured by the production of apparatus of specified types, was not considered by this Court to constitute any prohibition

on the manufacture or sale of that apparatus. The Court of Appeals, in remanding the instant case to permit evidence relative to the Judson, Rosenstein and Burk patents has failed to distinguish between a suit for infringement and a suit for royalties and its decision is inconsistent with the *Hazeltine* and *Reynolds Metals* decisions.

We suggest that the decision below is also in conflict with the decision of this Court in *U. S.* v. *Harvey Steel Co.*, 196 U. S. 310 (1905) cited with approval in the *Hazeltine* case, 339 U. S. at 836. In the *Harvey Steel* case the United States was licensed to use a particular, identified, "Harvey process" for the treatment of armor plate. The Court held, speaking through Mr. Justice Holmes, that the United States was obligated to pay the agreed royalty for the use of the Harvey process regardless of whether or not the process was covered by the licensed patent and whether or not that patent was valid. This Court held that where the licensee had agreed to pay royalties measured on the basis of certain specified activities, that agreement was the measure of its liability. When a license agreement specifically defines the equipment or process which is to form the measure of the royalty payment, the only issue is whether the specified machine or process has been used. There is no issue as to validity, scope or infringement of the patent.

A like decision was reached in *Cold Metal Process Co.* v. *McLouth Steel Corp.*, (C. A. 6, 1948) 170 F. (2) 369, 379 decided since *Marcalus*, where the license agreement covered the use of specifically identified machines for rolling strip steel.

So in this case the Hall companies agreed to a royalty based upon the use of 1 to 9 parts per million of polyphosphoric acid compound in the treatment of water. There is no question but that the Hall companies are participat-

ing in the practice of the process, and these are the practices involved in this suit. (pp. 9-10, *supra.*) The Hall companies should be held liable for the royalties based on those activities regardless of whether or not their activities are "precisely that" of the Judson, Rosenstein or Burk patents.

That the *Harvey* case has in no sense been overruled or superseded by the *Marcalus* case is, we believe, established not only by the fact that it was cited with approval in *Hazeltine* but by the holding in the *Hazeltine* case itself. In *Hazeltine* the license agreement specifically identified the types of radio receivers, the production of which was to constitute the measure of the royalty payment, and royalties were held to accrue on the basis of such production, regardless of whether any of the licensed patents were used and whether or not the licensed patents were anticipated by prior expired patents.

The Court of Appeals has remanded the case for a determination as to whether the three expired patents "correspond with (the) Fink-Richardson" patent. (p. 34, *infra.*) In other words the Third Circuit has directed the District Court to determine whether the disclosure of any of the three expired patents are "precisely that" of the Fink-Richardson *patent.* In the *Marcalus* case the defendant was held not to infringe because the expired patent and the *accused machine* were precisely the same. We point this out as another inconsistency between the decision in the instant case and *Marcalus.*

3. The questions presented are of great public interest.

If there is a hearing on the Judson, Rosenstein and Burk patents, we believe it will clearly appear that the practices of the Hall companies are not "precisely that" of any of these patents. However Nalco has already been

subjected to a decade of litigation in which the Hall companies have advanced a great many different and changing reasons why the patent of their competitor Nalco should be held invalid or not infringed, or why they should not be held liable under their license and settlement. We suggest that it would be a great injustice to require Nalco to be unnecessarily subjected to an additional round of litigation in the trial court, with the appeal which would probably follow. On the other hand if the Court of Appeals is wrong, and the District Court is affirmed, a ruling by this Court to that effect will end the litigation, since the District Court had dismissed the complaint.

The great public interest in this decision requires a hearing on the questions presented, regardless of the fact that the decision of the Court of Appeals does not finally conclude the litigation. It presents questions of vital importance to patent owners, licensors and licensees, in fact to the entire business community, concerning the scope and application of the estoppel doctrine, the rights and liabilities of parties under patent license agreements, and the effect of settlements of patent controversies. If this Court does not now accept jurisdiction, it may not soon have another opportunity to pass on these questions. So long as the decision of the Court of Appeals stands, all persons involved in patent matters must necessarily reckon with it, but until this Court has spoken they will not know whether or not it is a correct statement of the law. The resulting uncertainties will make it impossible for persons involved with patent licenses to determine what their rights and liabilities may be, and will discourage the licensing of patents and the settlement of patent litigation.

It is not necessary to expound at any length to this Court on the somewhat precarious condition of the estoppel doctrine prior to *Automatic Radio Co.* v. *Hazeltine,* 339

U. S. 827 (1950). In its opinion in *Automatic Paper Machinery Co.* v. *Marcalus Manufacturing Co.* (C. A. 3, 1945), 147 F. (2) 608, 612-613, the Third Circuit pointed out that the accused device was a Chinese copy of a prior expired patent, but also suggested the entire destruction of the estoppel rule by the indirect method of permitting both assignor and licensee to rely on all prior art to limit the claims of the patent "to naught". That this procedure would in fact constitute a contest of validity is self-evident to any realistic mind.

This Court did not adopt the suggestion of the Third Circuit that the estoppel doctrine be rejected saying that "other considerations are dispositive of this case"; namely that "the accused machine is precisely that of an expired patent". *Scott Paper Co.* v. *Marcalus Co.*, 326 U. S. 249, 254. The *Marcalus* case did nevertheless raise a question in the minds of those concerned with patents and patent licenses as to the extent that the estoppel doctrine might "be deemed to have survived". (326 U. S. at 254.)

By its decision in the *Hazeltine* case this Court gave reassurance that the doctrine of estoppel has in fact survived with full vigor, indicating thereby the continued public interest in private good faith, *i.e.*, that a licensee who has voluntarily entered into a license agreement should not be allowed to enjoy the benefits of the agreement and at the same time repudiate its obligations.

In its opinion in the instant case the majority of the court below (with Chief Judge Biggs dissenting) recognized that this Court has not adopted the suggestion of the Third Circuit to destroy the estoppel doctrine, saying of the Hall companies' contention that the *Marcalus* case permits an attack by the licensee on the patent on the basis of the prior art generally, "It does not appear however that the Supreme Court has as yet relaxed the estoppel doctrine to this extent". (p. 31, *infra.*)

However, the Third Circuit has again created a new area of uncertainty by holding that the *Marcalus* rule should be extended to apply not only to suits for infringement but also to suits for royalties under a license agreement; to cases where the alleged prior art patent has subsequently expired, not only after the license was entered into but after the filing of the suit involving the question of liability for royalties; to license agreements where the activities forming the basis of royalty payments have been specifically defined and are admittedly practiced; and to cases where the license agreement was part of a voluntary settlement of litigation entered into with full knowledge of the alleged prior art patents.

If this holding is the law it means that a patent license becomes a one-way street, for it will permit the licensee to enjoy all the benefits of the license, including immunity from suit for infringement, and, where the license covers his customers as it does in the instant case, to confer such immunity on his customers, and at the same time the licensee can deny his obligations periodically as alleged prior art patents expire, and force the matter into litigation. The only way the patent owner can guard against this is to grant licenses only after judgments of validity and infringement, or not grant any licenses at all. Further, any patent owner involved in any infringement action would be foolish to settle the litigation by license prior to judgment.

The result of such an extension of the *Marcalus* doctrine will inevitably discourage the licensing of patents and the settlement of disputes, and encourage litigation. For any patent owner will be wary of granting a license where there is a possibility that he may confer the benefits and immunities of a license agreement upon a licensee and get in return only the privilege of litigation to see whether he is going to receive the agreed royalty.

CONCLUSION.

For the foregoing reasons this petition for a writ of certiorari should be granted.

Respectfully submitted,

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Of Counsel.

APPENDIX.

UNITED STATES COURT OF APPEALS
FOR THE THIRD CIRCUIT

No. 11,343

HALL LABORATORIES, INCORPORATED, THE BUROMIN COMPANY, CALGON, INCORPORATED, AND HAGAN CORPORATION.

Appellants

v.

NATIONAL ALUMINATE CORPORATION

APPEAL FROM THE UNITED STATES DISTRICT COURT FOR THE DISTRICT OF DELAWARE

Argued November 1, 1954
Before BIGGS, *Chief Judge,* and MARIS and KALODNER, *Circuit Judges.*

OPINION OF THE COURT.

(Filed June 22, 1955)

By KALODNER, *Circuit Judge*

This is an appeal from the judgment of the District Court for the District of Delaware dismissing the plaintiffs' complaint with prejudice and directing the payment to defendant of royalties, under a license agreement, which had been deposited in the registry of the Court.

The issue to be determined is whether the plaintiffs, in the circumstances of this case, are free to litigate the validity of a patent as to which they are licensees.

The plaintiffs, Hall Laboratories, Inc., The Buromin Company, Calgon, Inc., and Hagan Corporation (collectively "Hall"), affiliated companies under generally the same management, commenced this action for declaratory judgment against National Aluminate Corporation ("Nalco") seeking to be relieved of liability under a license agreement entered into on January 29, 1948, whereby Nalco granted to Hall a license under patent No. 2,355,222 ("Fink-Richardson" patent). This patent relates to the treatment of incrusting water by the addition of small quantities (one to three, and sometimes up to nine parts per million) of polyphosphoric acid compound to prevent incrustation on the walls of passageways or containers of waters. The process is known as "stabilization". There is no dispute that the practices of Hall are within the Fink-Richardson patent and the license agreement.

The facts leading to the instant litigation are as follows:

In March, 1945, plaintiffs commenced an action against Nalco seeking a declaratory judgment that their practices did not infringe the Fink-Richardson patent and that the patent was invalid. Nalco filed an answer and counterclaim charging infringement. On January 29, 1948, the parties settled the controversy. The settlement included the license agreement above referred to, a release of past infringement (Hall paying to Nalco $10,000), a covenant not to sue on another patent, and the entry of an order of an agreed judgment of dismissal. On February 10, 1948, the District Court entered a "final judgment", consented to by the parties, which recited that the parties had represented to the court that the controversy was compromised and settled, and that the defendants were granted a license. This judgment dismissed the complaint and

the counter-claim, but contained no recitation as to prejudice.

Prior to the commencement of the aforesaid action, Hall Laboratories, Inc., had, in January 1945, instituted proceedings against Economics Laboratory, Inc. ("Economics") charging infringement of its patent, Re. 19,719 ("Hall" patent). Economics pleaded as a defense the invalidity of that patent citing the writings of one Fresenius. On June 13, 1947, judgment was granted in favor of Economics on the ground that there was no demonstrable distinction between the Hall patent and the Fresenius text. *Hall Laboratories, Inc.* v. *Economics Laboratory, Inc.*, 72 F. Supp. 683 (D. C. Minn. 1947). On July 6, 1948, this judgment was affirmed in the Court of Appeals for the Eighth Circuit, 169 F. 2d 65.

Nalco was not involved in the Economics litigation, nor was the Fink-Richardson patent drawn into issue.

On January 31, 1949, the plaintiffs commenced the instant action against Nalco. The complaint recites substantially the foregoing facts. It further distinguishes the Fink-Richardson patent from the Hall patent. The Hall patent relates to water softening, the process being referred to as "sequestration", and achieves its effect by adding to hard water metaphosphate in substantially larger quantities than that taught by the Fink-Richardson patent, which does not soften water. However, the complaint alleges that the Fink-Richardson patent is invalid as having been anticipated by specific prior art and patents, and by the Fresenius text as interpreted by the courts in the Economics litigation. It further alleges that Hall, as a result of the "new situation", has been evicted from the license of January 29, 1948, and accordingly prays for judgment relieving Hall from the payment of royalties. Three royalty payments had been made by Hall to Nalco before the commencement of these proceedings.

The District Court denied Nalco's motion for summary judgment. 93 F. Supp. 376 (1950). Nalco then moved, pursuant to Rule 42(b), Federal Rules of Civil Procedure, for a separate trial on the issue whether the plaintiffs' practices and the Fink-Richardson patent correspond with the teaching of the Fresenius text. This motion was granted. 95 F. Supp. 323 (1951). The District Court held the view that Hall was estopped to contest the validity of the Fink-Richardson patent, but permitted trial with respect to the Fresenius text, which had not been referred to by Hall in the prior declaratory judgment action brought by Hall against Nalco and which had been settled. In the exercise of its discretion, it determined that such issue should be tried, for if the decision went against Hall, it would resolve the entire controversy. Following trial, the District Court found as a fact that the Fresenius text, whether or not interpreted in the light of the Economics litigation, did not correspond with the plaintiffs' practices and the Fink-Richardson patent. It also found that Hall was estopped to contest the validity of the Fink-Richardson patent, both because of the settlement of the prior action between the parties and because of the license agreement. 120 F. Supp. 684 (1954).

In the District Court, as here, Hall relied on *Scott Paper Co.* v. *Marcalus Mfg. Co., Inc.*, 326 U. S. 249 (1945), as applicable authority for permitting Hall to attack the validity of the Fink-Richardson patent in the circumstances stated above.

We are of the opinion that Hall is estopped to contest the validity of the Fink-Richardson patent on the ground of the prior art, including the Fresenius text, as a result of the compromise and settlement of the prior action between these same parties. *J. Kahn & Co.* v. *Clark*, 178 F. 2d 111, 114 (5th Cir. 1949). In the prior action, the prior art, except Fresenius, was pleaded, but the estoppel is

created by the contract embodying the settlement and compromise and license agreement and operates uniformly on all the prior art. It is noteworthy that Hall does not distinguish between its practice at the time of the prior action and at the time of the commencement of the instant action. Moreover, at the time of the compromise and settlement of the prior action, the Fresenius text was known to Hall, as was the judicial interpretation of it, which preceded the compromise by at least six months. If Hall felt that the Economics decision jeopardized the validity of the Fink-Richardson patent, that issue could have been litigated. Hall's present suggestion that it expected the Economics decision to be reversed on appeal is without effect, since the secret mental reservations by a contracting party cannot operate to modify a freely assumed contractual obligation. Only recently, in evaluating the effectiveness of a release in a personal injury action, we said:

> "True, the plaintiff is now known to have suffered to a greater extent than was previously thought. But the very nature and purpose of settlement presupposes a joint *approximation* of the future. The validity of a release is not conditioned upon the prescience of the parties." *Thompson* v. *Coastal Oil Co.*, 218 F. 2d 664 (January 28, 1955).

In this instance, the Economics decision added an arrow to Hall's quiver, but the Hall group traded its bow in the interest of peace and profit.

We are of the further opinion that Hall as a licensee is precluded from asserting the invalidity of the licensor's patent. *Cold Metal Process Co.* v. *United Engineering & Fdry. Co.*, 190 F. 2d 217, 220 (3rd Cir. 1951). But Hall, relying on *Scott Paper Co.* v. *Marcalus Mfg. Co., Inc.*, *supra*, places in issue the proper scope of the estoppel doctrine, and suggests overtones of policy which, if accepted, would cut across any principle preventing Hall from disputing the validity of the licensed patent.

That a licensee is estopped to show the invalidity of the licensed patent has long been an accepted part of patent law. *Kinsman* v. *Parkhurst*, 18 How. 289 (U. S. 1855); *United States* v. *Harvey Steel Co.*, 196 U. S. 310 (1905); *Automatic Radio Mfg. Co., Inc.* v. *Hazeltine Research, Inc.*, 339 U. S. 827, 836 (1950). Its basis has been explained by Mr. Justice Frankfurter, dissenting in *MacGregor* v. *Westinghouse Electric and Mfg. Co.*, 329 U. S. 402, 413 (1946), in the following terms:

> "What we here have to decide is whether we shall allow the licensee to repudiate an agreement for the payment of money made in an arm's length transaction. For nearly a hundred years this Court has uniformly answered that question by using the legal shorthand of estoppel."

The terminology of estoppel by sanction of tradition rather than strictly logical appropriateness has been employed to designate the truth that a contract involving a patent is as binding as any other contract.[1]

Considerations of public policy, however, transcend private bargaining and the traditional doctrine. Thus, in *Sola Electric Co.* v. *Jefferson Electric Co.*, 317 U. S. 173 (1942), the Supreme Court held the licensee not estopped to attack the validity of the licensed patent where the license agreement price fixing provisions would violate the anti-trust laws if the patent were invalid. See also *Mercoid Corp.* v. *Mid-Continent Investment Corp.*, 320 U. S. 661 (1944); *Katzinger Co.* v. *Chicago Metallic Mfg. Co.*, 329 U. S. 394 (1946); *MacGregor* v. *Westinghouse Electric and Mfg., Co. supra.* And in *Scott Paper Co.* v. *Marcalus Mfg. Co., Inc., supra,* it was held that the assignor of a

1. In the case of the "estoppel" of an assignor of a patent to contest the validity of the assigned patent, the use of the term can be justified logically as an application of the real property doctrine of estoppel by deed. See *Automatic Paper Machinery Co.* v. *Marcalus Mfg. Co.*, 147 F. 2d 608 (3rd Cir., 1945).

patent sued for infringement was not estopped to attack its validity by showing that the invention had been described in a prior expired patent. The Supreme Court, in that case said (page 257):

> "• • • the patent laws preclude the petitioner assignee from invoking the doctrine of estoppel, as a means of continuing as against respondent, his assignor, the benefit of an expired monopoly, and they preclude the assignor from estopping himself from enjoying rights which it is the policy of the patent laws to free from all restrictions. • • • The interest in private good faith is not a universal touchstone which can be made the means of sacrificing a public interest secured by an appropriate exercise of the legislative power. The patent laws preclude us from saying that the patent assignment, which they authorize, operates to estop the assignor from asserting that which the patent laws prescribe, namely that the invention of an expired patent is dedicated to the public, of which the assignor is a member."

The crucial extension which Hall seeks to make is that the doctrine of the *Scott Paper* case is not restricted to situations in which invalidity of the patent in issue is premised upon a prior expired patent. In brief, Hall asserts that the laws which dedicate to public use the invention of an expired patent also dedicate the disclosures of prior publications and foreign patents for which timely patent application has not been made. Hall concludes that there is no basis for distinguishing between invalid patents on the grounds of their invalidity insofar as the *Scott Paper* case is concerned, and he relies upon language in the opinion of this court in *Automatic Paper Machinery Co.* v. *Marcalus Mfg. Co.*, 147 F. 2d 608 (1945), affirmed *sub nom. Scott Paper Co.* v. *Marcalus Mfg. Co.*, 326 U. S. 249.

It does not appear, however, that the Supreme Court has as yet relaxed the estoppel doctrine to this extent. In

Katzinger Co. v. *Chicago Metallic Mfg. Co., supra,* decided subsequent to the *Scott Paper* case, the Supreme Court, in allowing the licensee to challenge validity, refused to re-examine the estoppel doctrine as embodied in the *Kinsman* and *Harvey Steel* cases, *supra.* In resting its decision upon the anti-trust aspects of the case, the Court specifically left open "under what other circumstances a federal rule of estoppel might be applied." 329 U. S. at page 399. As of 1946, therefore, the estoppel principle was not moribund. Any doubt is removed by *Automatic Radio Mfg. Co.* v. *Hazeltine Research, Inc.,* 339 U. S. 827 (1950), in which the Supreme Court held the licensee estopped to contest the validity of the licensed patents. In unmistakable language the traditional doctrine was reiterated (page 836):

> "Finally, it is contended that notwithstanding the licensing agreement, petitioner-licensee may contest the validity of the patents it is charged with using. The general rule is that the licensee under a patent license agreement may not challenge the validity of the licensed patent in a suit for royalties due under the contract. *United States* v. *Harry Steel Co.,* 196 U. S. 310 * * * The *Katzinger* and *MacGregor* cases are inapplicable. The general rule applies, and petitioner may not, in this suit, challenge the validity of the licensed patents."

Nevertheless, Hall attempts to render its practices royalty-free upon *Casco Products Corp.* v. *Sinko Tool & Mfg. Co.,* 116 F. 2d 119 (7th Cir. 1940), cert. denied 312 U. S. 693 (1940); and see the alternative basis for our decision in *Automatic Paper Machinery Co.* v. *Marcalus Mfg. Co.,* 147 F. 2d 608, 610-612 (1945). These cases are the product of *Westinghouse Electric and Mfg. Co.* v. *Formica Insulation Co.,* 266 U. S. 342, 351 (1924). The latter case involved a suit for infringement against the assignor of a patent. While recognizing that the assignor was estopped to contest the validity of the patent, the

Supreme Court, in accordance with existing law, held that the prior art may be used to construe and narrow the claims of the patent "conceding their validity". We said, in the *Automatic Paper Machinery* case that complete anticipation might be shown. In affirming our decision, *sub nom. Scott Paper Co.* v. *Marcalus Mfg. Co.*, the Supreme Court did not rely upon our alternative holding.

It was not the purpose of the *Formica* case to nullify contracts with respect to the licensing of patent property. Indeed, the decision recognizes the co-existence of the estoppel doctrine; the distinction between attacking validity and construing and narrowing claims was characterized as a "nice one but seems to be workable". 266 U. S. at page 351. Neither that decision nor our own was predicated upon an overriding public policy. Rather, the Formica decision was designed to meet the situation where some doubt existed between the parties as to the true scope of the patent claims. In the instant case, there is no pretense of doubt concerning the claims of the Fink-Richardson patent, nor are the parties hereto disputing infringement.

All of the offered prior art, except Fresenius, was alleged in the prior declaratory judgment action brought by Hall against Nalco. The effect of the compromise of that suit, of which the license agreement was a part, was to settle for the parties the question of the relevance of the prior art. Hall has effectively laid to rest the question of the validity of the Fink-Richardson patent, insofar as the prior art is concerned, and its applicability to its practice, which even now is conceded to be that of the Fink-Richardson patent. By the same token, the applicability of the Fresenius text, even as interpreted by the federal court in Minnesota, was known to Hall before the settlement, and Hall chose to lay it aside as well.

Consequently, this case does not present a proper basis for the application of the Formica rule.

Except for a disclosure which came to light on this appeal we should be obliged to affirm the judgment of the District Court for the reasons stated. It now, appears, however, that three patents relied upon by Hall, and referred to in the complaint in this action, as anticipating the Fink-Richardson patent, expired prior to the filing of the District Court's opinion on March 24, 1954. These are Judson, No. 1,924,861, issued August 29, 1933, Burk, No. 2,063,788, issued December 8, 1936, and Rosenstein, No. 2,038,316, issued April 21, 1936. It is clear that under the Scott Paper case these patents would have had to have been considered had they expired at the time of the filing of the complaint, for that decision presupposes that the parties cannot by any form of agreement contravene the statutory policy which terminates the patent monopoly after the stated interval. Hall should have amended its complaint accordingly, but its failure to do so is not fatal, since the Rules permitting amendments are liberally applied, and since the Scott Paper case leaves an open avenue. The issue, whether the expired patents correspond with Fink-Richardson, remains and the record will not admit of final decision of that issue in this Court.

For the reasons stated, the judgment of the District Court will be vacated and the cause remanded for further proceedings not inconsistent herewith.

BIGGS, *Chief Judge,* dissenting in part and concurring in part.

The majority opinion holds that because of the compromise agreement of the first declaratory judgment suit by Hall and Nalco (Delaware C.A. 538), because of the license issued thereunder to Hall authorizing it to employ the processes of the Fink-Richardson patent in issue and because of the "final judgment" of the court below dis-

missing the suit on stipulation of Hall and Nalco, the court below on remand can consider, under the Marcalus doctrine of the Supreme Court, Scott Paper Co. v. Marcalus Manufacturing Co., Inc., 326 U.S. 249 (1945), *only* whether the Judson Patent, No. 1,924,861, the Burk Patent, No. 2,063,-788, and the Rosenstein Patent, No. 2,038,316 (all of which expired prior to the entry of the judgment appealed from) can be employed to limit the claims of the Fink-Richardson patent; that all other prior art, including prior public use and sale cannot be employed to limit the claims. This is the only substantial issue presented by the appeal at bar. Cf. Westinghouse Co. v. Formica Co., 266 U.S. 342 (1924).

The Supreme Court's ruling in Marcalus does not require such a result and our opinion in that case looks decidedly the other way. The Supreme Court in Marcalus did *not* hold that prior art (other than prior expired patents) could not be employed by the vendor of the patent to limit claims.

Our opinion in Marcalus said: "If we are correct in our conclusion that under the rule of the Formica decision the prior art measures the extent of the anticipation and the anticipation *limits* the claims, anticipation being complete in the instant case, the claims of the patent must be limited to nought." See 147 F. 2d at p. 613. True this was *dictum* for it was not necessary to go this far in Marcalus. But in the instant case on the present record it is necessary to decide whether prior art, other than prior expired patents, can be employed to limit the claims of Fink-Richardson. This is so because Hall has pleaded not only prior art as represented by the patents hereinbefore referred to but has also pleaded prior public use and sale.

The majority relies, as did Chief Judge Leahy in the court below, on the established doctrine that where a voluntary compromise is reached it is normally binding, as is any contract. I agree. But, aside from the Formica-

Marcalus exception as to limitation of claims, it has always been the law that a licensee could not attack the patent under which he was licensed. Under the Formica-Marcalus doctrine the overriding consideration became and is the limitation of monopoly for the public good, so that attack can be permitted. There is no sound reason why the courts should permit a license, even though issued pursuant to a compromise agreement and after a judgment of dismissal agreed to by the parties, to be employed as a bar to an attack on a monopoly.

The majority opinion states that the estoppel principle is not "moribund", referring to Automatic Radio & Mfg. Co. v. Hazeltine, 339 U.S. 827 (1950) and quoting from that opinion. But the issue as to whether the Marcalus doctrine was to be limited to prior art represented by expired patents was simply not in focus in the majority opinion of the Supreme Court in that case though Mr. Justice Douglas referred to Marcalus in his dissent. This is demonstrated by the fact that in the opinion in Automatic Radio v. Hazeltine in the United States District Court for the District of Massachusetts, 77 F. Supp. 493, 497, no mention is made of prior art. The Court of Appeals for the First Circuit by Chief Judge Magruder said: "Although Automatic's motion for summary judgment and its supporting affidavit make the general statement that none of Hazeltine's patents covered by the license are valid, no concrete attempt was made to buttress these assertions, and the District Court concluded: 'Furthermore, the defendant does not purport to contest the validity of all plaintiff's patents.' D.C. 77 F. Supp. at page 497." See 176 F. 2d at p. 806.

In conclusion it should be pointed out that in Marcalus Mr. Chief Justice Stone laid emphasis on the patent statute itself. He said, 326 U.S. at pp. 257-8: "The interest in private good faith is not a universal touchstone which can

be made the means of sacrificing a public interest secured by an appropriate exercise of the legislative power. The patent laws preclude us from saying that the patent assignment, which they authorize, operates to estop the assignor from asserting that which the patent laws prescribe, namely, that the invention of an expired patent is dedicated to the public, of which the assignor is a member.

"The judgment is affirmed for the reason that we find that the application of the doctrine of estoppel so as to foreclose the assignor of a patent from asserting the right to make use of the prior art invention of an expired patent, which anticipates that of the assigned patent, is inconsistent with the patent laws which dedicate to public use the invention of an expired patent. The assignor has a complete defense to an action for infringement where the alleged infringing device is that of an expired patent."

Mr. Chief Justice Stone stated in substance that since the patent statute proscribed the continuation of a patent monopoly beyond 17 years an assignor is not estopped to limit the claims of his assignee's patent where the disclosures of the patent lie in the public domain by virtue of a prior expired patent. I cannot conclude that prior art made available by the expiration of a patent monopoly by the terms of the patent statute is entitled to greater weight in effecting the limitation of claims than any other prior art. Mr. Justice Reed and Mr. Justice Frankfurter[1] in-

1 Mr. Justice Frankfurter stated in Marcalus as a basis for his dissent, 326 U.S. at pp. 258-259: "When by a fair and free bargain a man sells something to another, it hardly lies in his mouth to say, 'I have sold you nothing.' It certainly offends the rudimentary sense of justice for courts to support one who purports to sell something to another in saying 'What I have sold you is worthless,' even though he did not expressly promise that what he sold had worth."

The situation at bar is very different, however, from those which were before the Supreme Court in Marcalus and Formica. In the Marcalus case, Marcalus sold his patent to his own company for stock. In Formica, it was said that ". . . an assignor of a patent right is estopped to attack the utility, novelty or validity of a pat-

dicated somewhat similar views in their dissenting opinions in Marcalus, 326 U.S. respectively at page 258 and page 263.

But, quite aside from the foregoing, under the new Patent Act, in effect January 1, 1953, approximately fifteen months before the judgment in the instant case was handed down, the granting of a patent monopoly was proscribed where there was only an *unobvious* advance over the prior art: for example, where the patent disclosed only prior art plus mere mechanical skill or ingenuity.[2] It appears, therefore, that at the time of the judgment of the court below there was a statutory prohibition of the sort specifically referred to by Mr. Chief Justice Stone in Marcalus. An attack by way of limitation of claims based upon an existing statutory prohibition as here therefore should be allowed on the basis of the entire existing art. The fundamental law itself authorizes the attack. Article I, Section 8, of the Constitution.

For the reasons stated I dissent from the limiting views expressed in the majority opinion. I agree with the majority, however, that the judgment should be vacated and the cause remanded for further treatment.

JUDGMENT OF THE COURT OF APPEALS ENTERED JUNE 22, 1955.
ON APPEAL FROM THE UNITED STATES DISTRICT COURT
For the District of Delaware.

Present:

BIGGS, *Chief Judge*, and
MARIS and KALODNER, *Circuit Judges*.

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ented invention which he has assigned or granted as against any one claiming the right under his assignment or grant." 266 U. S. at p. 349. But here, by analogy, Nalco is the vendor and Hall, the vendee: Nalco, the assignor, and Hall, the assignee.

2 It appears from the Reviser's Note, cited to Section 103, Title 35, USC, that the provisions of Section 103 are a statutory expression of the law as it existed prior to January 1, 1953.

JUDGMENT.

This cause came on to be heard on the record from the United States District Court for the District of Delaware and was argued by counsel.

On consideration whereof, it is now here ordered and adjudged by this Court that the judgment of the said District Court in this case be, and the same is hereby vacated, and the cause remanded for further proceedings not inconsistent with the opinion of this court.

OPINION OF THE DISTRICT COURT, DISTRICT OF DELAWARE.

(Filed March 24, 1954.)

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LEAHY, Chief Judge.

The complaint is for declaratory judgment by plaintiffs who are four corporations under the same management, against defendant, National Aluminate Corporation, which owns U. S. Patent 2,358,222, known as the Fink-Richardson patent, relating to the art of treating water. Plaintiffs seek a judgment declaring plaintiffs are relieved of their obligations under the non-exclusive and non-transferable

license under the patent, granted to them by Nalco on January 29, 1948.

The license agreement[1] was part of a settlement of previous litigation between the parties in this court. In the earlier litigation, The Buromin Company et al. v. National Aluminate Corporation, our CA 538, plaintiffs on March 17, 1945, filed a declaratory judgment action[2] claiming invalidity and non-infringement of the Fink-Richardson patent.[3] An answer and counterclaim[4] and a reply[5] were filed. Plaintiffs took depositions in Chicago, San Francisco, and far up in the Sierra Nevada Mountains east of Sacramento, California. Defendant took several hundred pages of depositions in Pittsburgh. Plaintiffs served notice to take depositions in Texas which were not taken because of the settlement of the case. Settlement negotiations were entered into, and a settlement was reached in January 1948, which included, *inter alia*, the license agreement, an agreement with respect to release of past infringement,[6] a covenant not to sue[7] and the entry on February 10, 1948, of an agreed judgment of dismissal of the complaint and counterclaim, entitled "Final Judgment",[8] containing the recital counsel had represented to the court "that the parties hereto have compromised and settled this controversy, and the defendant has granted a license to the plaintiffs under Fink and Richardson patent No. 2,358,222."

Fink-Richardson patent 2,358,222 relates to treatment of hard or incrusting water with small amounts of poly-

1. Complaint Ex. A.
2. DX 7.
3. DX 6.
4. DX 8.
5. DX 9.
6. DX 4.
7. DX 5.
8. DX 6.

phosphoric acid compounds to prevent incrustation, the process being known as "stabilization". Certain claims of the patent, for example, claims 18 and 19, are directed toward the use of 1 to 3 and not more than 9 ppm of polyphosphate in the treatment of water.[9]

Plaintiffs' practices are defined in recital (a) of the license agreement entered into by the parties on January 29, 1948 and provides "incrusting water be treated with a polyphosphoric acid compound by adding it to the water in minute amounts, usually of the order of one to three parts per million, and sometimes in amounts up to about nine parts per million."

After making three quarterly royalty payments under the license, plaintiffs brought this second declaratory judgment action to avoid the payment of further royalties on the purported basis there had been a change of "circumstances", or a "new situation", created since the execution of the license agreement by reason of a judicial interpretation based upon the teachings appearing in an early chemical textbook by a chemist named Fresenius.[10]

The litigation was an infringement suit brought by Hall Laboratories (one of the plaintiffs herein) against Economics Laboratory, involving the Hall reissue patent 19,719[11] and another patent, both owned by plaintiffs and both relating to water softening, the process being known as "sequestration". The decision of the trial court was the Hall reissue patent was anticipated by the Fresenius text.[12] This was more than six months prior to the settlement of plaintiffs' first case against Nalco in this court.

9. The abbreviation "ppm" refers to parts per million, for example, 1 to 9 ppm of polyphosphate added to hard water (plaintiffs' practices) means one million pounds of treated water will contain 1 to 9 pounds, respectively, of the polyphosphate.

10. Hereinafter called the "Fresenius text", pages 139 to 144 of which appear as Exhibit D to the complaint.

11. PX 4.

12. D.C. Minn., 72 F. Supp. 683.

The Court of Appeals affirmed in its entirety the decision of the trial court (8 Cir., 169 F. 2d 65).

Defendant Nalco here was not a party to the Economics litigation and the Fink-Richardson patent[13] was in no way involved there. The Economics litigation involved solely patents relating to water softening, i.e., sequestration, and did not involve any patents or practices relating to stabilization, which is the subject of Fink-Richardson. Plaintiffs conceded the Hall patent differs from the Fink-Richardson patent.[14] The Hall patent was held invalid in the Economics case on the ground there was "no demonstrable distinction"[15] between the patent and the Fresenius text, but the validity of the Fink-Richardson patent was in no way involved.

Despite plaintiffs' knowledge of the Fresenius text and the judicial interpretation which had been placed upon it by the trial court for over six months prior to the time of the compromise and settlement of their previous suit against Nalco, they did not plead it. The so-called "new situation" upon which they relied in their pending complaint in asking this court to relieve them of their obligations under their license agreement was solely the fact the Eighth Circuit had affirmed the decision of the District Court in the Economics case in its entirety. They claim this affirmance of the decision of the court below, not involving the Fink-Richardson patent, constituted an "eviction" from the benefits of their license agreement under the Fink-Richardson patent; their practices are now "justified by the art" as it existed prior to Fink-Richardson; and they should be held to be no longer liable under the license agreement.

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13. PX 6.
14. Complaint par. 7, 3rd sub-par.
15. 72 F. Supp. 689.

Defendant Nalco filed a motion for summary judgment to dismiss the pending complaint with prejudice because:

1. Paragraphs 8 and 9 of the license agreement (Exhibit A to the complaint) set forth the sole conditions under which plaintiffs may be relieved of their obligations to pay royalties and since these conditions have not occurred, plaintiffs cannot prevail on their complaint.

2. Plaintiffs are liable to pay royalties under the license agreement irrespective of the prior art because the processes they admittedly use are the same as those described in the license agreement on the basis of the use of which they agreed to pay royalties.

3. Plaintiffs' past royalty payments bar them from denying liability for future payments on account of the same activities.

4. Plaintiffs will not be permitted to relitigate the same issues compromised and settled in the previous litigation.

5. Entirely aside from the terms of the license agreement, plaintiffs have not been evicted from the benefits of the license agreement.

In my opinion of September 20, 1950, I suggested the doctrine of Scott Paper Co. v. Marcalus Co., 326 U. S. 249, relied upon by plaintiffs in their brief in opposition to the motion, did not apply here, but I did not finally rule on the question and observed by denying the motion for summary judgment "there will be present at trial live and informed testimony or other evidence placing plaintiffs' practices vis-a-vis the Fresenius text."[16]

Defendant Nalco filed its answer and affirmative defenses on October 19, 1950. On November 1, 1950, Nalco filed a motion under FR 42(b) for an order setting for separate trial, prior to the other issues raised by the plead-

16. D.C. Del., 93 F. Supp. 376, 379-80.

ings, the single issue as to the identity of plaintiffs' practices and the Fresenius text.

This court on January 22, 1951,[17] granted Nalco's motion under FR 42(b) and held: plaintiffs "should not be permitted to forget the prior litigation between the parties in this Court" which was compromised and settled; "plaintiffs should not be permitted to retry in another round of litigation all of those issues which they had raised in their prior declaratory judgment action", including the prior art cited in the previous action and in the present action of which plaintiffs had full knowledge for many years prior to the settlement of the former litigation; "there has been a survival of the doctrine of estoppel against a patent licensee to contest validity of the licensed patent" which was definitely resolved and reaffirmed by the Supreme Court in Automatic Radio Mfg. Co., Inc. v. Hazeltine Research, Inc., 339 U. S. 827, and a separate trial should be held on the single issue relative to Fresenius. I also held "if it so develops on this issue the decision is in favor of plaintiffs, then the parties can proceed on any other issues which could be said to remain, and which the Court will decide could remain. If the decision on this issue is in favor of defendant, this would seem to end the cause in this Court."[18]

The order of this court was entered February 12, 1951, granting defendant's motion for a separate trial under FR 42(b) "upon the single issue as to whether or not plaintiffs' practices correspond with the teachings of the Fresenius text."

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17. D.C. Del., 95 F. Supp. 323.
18. D.C. Del., 95 F. Supp. 326.

FINDINGS OF FACT.

1. This is a civil action seeking a declaratory judgment of non-infringement.

2. Defendant is owner of Fink-Richardson patent 2,358,-222 issued on September 12, 1944, under which plaintiffs are licensed by virtue of an agreement dated January 29, 1948, entered into as a part of a compromise and settlement of earlier litigation in this court with respect to the same patent between the same parties, CA 538.

3. In the earlier litigation, plaintiffs sought a declaratory judgment the Fink-Richardson patent was invalid and not infringed by their practices sometimes referred to as the threshold treatment and called the "stabilization treatment" of industrial waters in view of various items of prior cited art. A final judgment reciting the parties had compromised and settled the suit and defendant had granted a license to plaintiffs under defendant's patent was entered by this court on February 10, 1948. Plaintiffs made three quarterly royalty payments under the license agreement before bringing the instant action.

4. Plaintiffs' practices in the "stabilization treatment" are defined in the license agreement as the addition of polyphosphoric acid compounds to incrusting water in minute amounts, usually of the order of 1 to 3 ppm (parts per million) and sometimes in amounts up to about 9 ppm. In their practices, plaintiffs use a chemical "sodium metaphosphate" which is a polyphosphoric acid compound. The limits of 1 to 9 ppm are specifically recited in claims of the Fink-Richardson patent, particularly claims 18 and 19.

5. By the instant declaratory judgment action plaintiffs seek to avoid the obligation to pay royalty under the license agreement of January 29, 1948, on the ground the decision by the Court of Appeals in the Eighth Circuit

affirming a decision of the District Court in an infringement suit, Hall, et al. v. Economics Laboratories, Inc., D.C. Minn., 72 F. Supp. 783, affirmed in toto, 8 Cir., 1948, 169 F. 2d 65, on a patent owned by plaintiffs known as the "Hall patent" reissue 19,719, "created a new situation". Plaintiffs' stabilization practices have not changed. They are the same as the practices defined in the license agreement. The Hall patent relates to a different subject matter, namely the softening of water against soap hardness by adding to the water relatively large amounts of sodium metaphosphate to cause sequestration of the calcium and other hardness components of the water so they will not react chemically and precipitate when soap is added. The stabilization practices have no significant effect on the hardness of the water. The sole ground for the alleged "new situation" is the interpretation placed by the Court in the Economics case on the disclosure of a chemical textbook by Fresenius "The System of Instruction in Quantitative Chemical Analysis".

6. At the time plaintiffs entered into the license agreement of January 29, 1948, they knew about the Fresenius text and the District Court in the Economics case had already held the Hall patent Reissue 19,719 invalid in view of the Fresenius text.

7. Defendant filed a motion for summary judgment which I denied on the ground it was desirable to have a trial to consider plaintiffs' practices vis-a-vis the Fresenius text (D.C. Del., 93 F. Supp. 376). The separate trial under FR 42(b) on the single issue of whether or not plaintiffs' practices correspond with the Fresenius text was ordered by the court (D.C. Del., 95 F. Supp. 323). The instant findings of fact are entered on the trial of that issue.

8. The purpose of plaintiffs' practices is to prevent

incrustation on feed lines carrying hard or incrusting waters. Incrustation is the deposition and adherence of solid substances such as calcium compounds from the water onto the walls of the pipe or vessel carrying or containing the water. The formation of incrustation is common where hard waters are employed in municipal or industrial uses, particularly in hot water feed lines and cooling water lines. Heating the water and the presence of alkalis increase the tendency toward incrustation and if the incrustation is not prevented the pipelines carrying the water eventually become clogged and are rendered inoperable.

9. The stabilization treatment covered by the Fink-Richardson patent involves adding a minute amount of polyphosphoric acid compound to hard or incrusting waters, usually in the range of 1 to 3 and not more than 9 ppm. The amount added is sufficient to prevent incrustation but has no significant effect in softening the water. The 1-9 ppm quantity is not conditioned upon the hardness of the water. The phenomenon is quite different from sequestration claimed in the Hall patent Reissue 19,719 where water is softened and the calcium and other hardness components present in the water are tied up in the form of a chemical complex. If more than 9 ppm of sodium metaphosphate are added to a hard water containing calcium, a precipitation of calcium metaphosphate occurs which is incrusting and in the range above about 9 parts per million and below about 2000 parts per million the sodium metaphosphate does not prevent incrustation. Beginning around 2000 parts per million, and depending upon the amount of calcium present in the water, sequestration occurs and all precipitation of calcium is prevented. In certain cases, plaintiffs use up to about 40 parts per million of sodium metaphosphate in the treatment of oil well brines containing barium sulfate and they refer to these practices as stabilization but such practices are not within

the scope of plaintiffs' practices outlined in the license agreement and constitute only 5% of plaintiffs' alleged stabilization practices. They are irrelevant to the plaintiffs' practices involved in this case.

10. Plaintiffs' practices do not correspond to the Fresenius text. The Fresenius text does not relate to the prevention of incrustation in hard waters, but relates to the quantitative analysis of chemical solutions to determine the quantity of a particular constituent present in such solutions. These solutions are analyzed by adding a chemical to a solution containing a particular constituent in order to bring about precipitation of a compound of the constituent, which is then dried, weighed and the quantity then computed. It is essential all of the desired constituent be precipitated because otherwise the computation would be inaccurate. In the portions of the Fresenius text relied upon by plaintiffs, Fresenius warns certain substances including metaphosphates interfere with the precipitation and must be removed in order to secure a complete precipitation. Fresenius does not teach the addition of metaphosphates for any purpose nor mention anywhere in his text any amounts of metaphosphate which might interfere with precipitation of incrusting deposits. He does not teach the addition of 1 to 9 ppm of metaphosphate will prevent incrustation in hard waters. In his general statements with respect to metaphosphates Fresenius refers to Scheerer and Rube indicating he is relying upon these people as his authority for his statement. The article by Scheerer entitled: "An Unusual Case in Which Baryta Is Not, or Not Completely, Precipitated by Sulfuric Acid" (PX 3), was of record in the Economics case and describes some experiments by Rube involving the use of 1590 to 8450 ppm of sodium metaphosphate. The experiments specifically reported relate to precipitation of barium compounds such as barium sulfate and the

article states calcium and strontium compounds behave in a similar manner. There is no evidence in the Fresenius text or in any of the authorities relied upon by Fresenius of the use of 1 to 9 ppm of a polyphosphoric acid compound for any purpose. Rube's experiments reported by Scheerer show although sodium metaphosphate interferes with the precipitation of barium sulfate it does not completely prevent it. In fact, Rube obtained relatively large amounts of precipitate. Furthermore, Rube observed a maximum interference with precipitation at about 3000 ppm and as the amount of sodium metaphosphate was increased beyond 3000 ppm the amount of precipitate likewise increased. The same was true when the amount of metaphosphate was decreased below 3000 ppm. In short, the amount of interference with precipitation decreased as the amount of metaphosphate used was decreased. It is logical to conclude as the amount of sodium metaphosphate is further decreased, the amount of interference with precipitation would also decrease under the conditions reported by Scheerer. Hence, the evidence demonstrates a chemist reading Scheerer would assume there is no interference with precipitation of barium sulfate in the low range of one to nine ppm of sodium metaphosphate. In fact, under the conditions used by Rube, 1-9 ppm of metaphosphate does not interfere with sulfate.

11. The Fresenius text should be interpreted in the light of the authorities referred to by him. The quotation reading:

> "• • • the precipitation of calcium by the alkali carbonates is completely prevented or considerably interfered with by the presence of alkali citrates (Spiller) or metaphosphates (Rube)" (p. 144).

when read in the light of the article by Spiller and Scheerer reporting on Rube's work means "completely prevented" applies to the alkali citrates and "considerably interfered

with'' applies to the metaphosphates. The article by Spiller contains no reference to the metaphosphates but states the precipitation of calcium is completely prevented by the alkali citrates. Spiller gives no quantity. Scheerer shows only partial interference with precipitation in a range of metaphosphate concentrations from 1500 to 8450 ppm.

12. The instruction of Fresenius to remove metaphosphates before carrying out the precipitation of calcium in an analytical procedure does not suggest or teach the addition of minute amounts of metaphosphate to hard water to prevent precipitation and prevent the formation of incrustation from the hardness components of the water.

13. Partial interference with precipitation may actually increase incrustation. It cannot follow that a warning to remove metaphosphate in an analytical procedure because it may interfere with precipitation, is a teaching the addition of minute quantities of metaphosphates will prevent incrustation, irrespective of the fact in quantitative analysis one deals with relatively concentrated chemical solutions while in plaintiffs' practices one deals with the stabilization of hard water.

14. Plaintiffs' practices do not correspond with the teachings of the Fresenius text, whether or not the text is interpreted in the light of the authorities referred to by Fresenius.

15. It would require more than a matter of routine experimentation for chemists to determine plaintiffs' practices in the light of the Fresenius text. The Fresenius text teaches nothing about the critical amounts employed in plaintiffs' practices. Plaintiffs thought they had made an invention at the time they first worked on the stabilization treatment of hard water and they regarded this invention as being a revolutionary and surprising development. They

published literature to the effect the whole idea was so surprising it was like a "fairy tale" and the use of one part per million of anything to accomplish this result was "preposterous" but true. At that time they knew about the Hall Reissue patent 19,719 because they owned that patent but they did not regard the use of relatively large amounts of metaphosphates to soften water as being a teaching minute amounts of metaphosphates would prevent incrustation caused by water.

16. Plaintiffs filed a Hall patent application in the Patent Office claiming the invention which now constitutes plaintiffs' practices and the Patent Office Board of Appeals allowed these claims over the Hall patent relating to the use of relatively large amounts of metaphosphate for water softening by sequestration. Later this Hall application became involved in an interference with the Fink and Richardson application and priority was awarded to Fink and Richardson. Plaintiffs are in no position to contend the use of large amounts of metaphosphates for water softening teaches the use of minute amounts of metaphosphates to prevent incrustation. Nor are they in any position to contend the disclosure of no amounts by Fresenius or the disclosure of amounts in the range of 1590 to 8450 ppm of metaphosphate by Scheerer, cited as authority by Fresenius, is a disclosure or teaching of minute amounts of metaphosphate in the order of 1 to 9 ppm, irrespective of the fact Fresenius is dealing with quantitative analysis of relatively concentrated chemical solutions while plaintiffs are dealing with the stabilization of water.

17. The holding of the court in the Economics case that there is "no demonstrable distinction" between the Hall Reissue patent 19,719 and the Fresenius text (73 F. Supp. 689) does not suggest the Fresenius text is an anticipation of plaintiffs' practices under the Fink-Richardson patent. Plaintiffs themselves publicized as a notable discovery the

water stabilization process under which they are now licensed, and themselves attempted to obtain a patent on the process, with full knowledge of the Hall Reissue patent.

OPINION.

The single issue to be decided is whether plaintiffs' practices correspond with the teachings of the Fresenius text. Plaintiffs have the burden of proof as to this issue. If they cannot sustain the burden I have already held in the decision of January 22, 1951, D.C. Del., 95 F. Supp. 323, the complaint will be dismissed.

1. The Fresenius text does not disclose plaintiffs' practices or the invention claimed in the Fink-Richardson patent. It does not require an expert to determine there is nothing in the Fresenius text about the employment of 1 to 9 ppm of polyphosphates for any purpose. There is no teaching the addition of 1 to 9 ppm of polyphosphate to hard or incrusting water will prevent incrustation. The many distinctions between defendant's patent (i.e., plaintiffs' practices) and the Fresenius text, as established by the undisputed facts of record, show plaintiffs' practices are not taught by the Fresenius text. Defendant is entitled to prevail on the undisputed facts without regard to any of the controversial contentions of the parties.

No controversy exists as to what the Fresenius text describes. On the contrary, the dispute centers around the manner in which plaintiffs' witnesses seek to "interpret" Fresenius. Dr. Colburn made it clear under the guise of "interpretation" plaintiffs were really attempting to read into Fresenius something which was not there.[19] It is hornbook law prior art is only of value for what it actually shows.

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19. Tr. 84.

Anticipation is not established by reconstructing a reference in the light of later accomplishments.[20]

2. Decision in the Economics case has no bearing upon plaintiffs' practices. Plaintiffs claim their practices are the same as the Fresenius text "as interpreted by the Courts in the Economics case" (Complaint, par. 13). The decision of the District Court in the Economics case had been handed down many months before the license agreement was entered into in January, 1948, as a result of the settlement of the prior litigation between the parties in this Court, and all that happened after that was complete

20. In Young Radiator Co. v. Modine Manufacturing Co., 7 Cir., 55 F. 2d 545, in an opinion by Judge Sparks, the Court said (p. 547):

"It is not sufficient to constitute anticipation that the device relied on for that purpose might, by modification, be made to accomplish the function performed by the patent in question if it were not so designated by its maker, nor adapted nor actually used for the performance of such function."

The same thought was expressed by the Supreme Court in Topliff v. Topliff, 145 U. S. 156 (1892), where the Court said at page 161:

"While it is possible that the Stringfellow and Surles patent might, by a slight modification, be made to perform the function of equalizing the springs which it was the object of the Augur patent to secure, that was evidently not in the mind of the patentees, and the patent is inoperative for that purpose. Their device evidently approached very near the idea of an equalizer; but this idea did not apparently dawn upon them, nor was there anything in their patent which would have suggested it to a mechanic of ordinary intelligence, unless he were examining it for that purpose. It is not sufficient to constitute an anticipation that the device relied upon might, by modification, be made to accomplish the function performed by the patent in question, if it were not designed by its maker, nor adapted, nor actually used, for the performance of such functions."

The Court of Appeals for the Eighth Circuit announced the same doctrine in Naylor, et al. v. Alsop Process Co., 168 F. 911, where it said on page 920:

"When it is sought to ascertain the state of the art by means of prior patents, nothing can be used except what is disclosed on the face of those patents. Such patents cannot be reconstructed in the light of the invention in suit, and then used as a part of the prior art."

affirmance of the District Court's decision. But entirely aside from this fact, there is nothing in the decision in the Economics case which could form the basis for holding plaintiffs' practices are the same as the teachings of the Fresenius text.

In the Economics case, the District Court (72 F. Supp. 683, 689), held the Hall patent which was claimed to cover the practices of defendant Economics, was not valid, on the ground that "no demonstrable distinction exists" between the Hall patent and the Fresenius text. In other words, the Court in the Economics case said the Hall patent (PX 4) is the same as the Fresenius text. The Court of Appeals affirmed (169 F. 2d 65).

There is nothing in either of these decisions which has any bearing upon the Fink-Richardson patent or upon plaintiffs' practices which are covered by its license under the Fink-Richardson patent.

The Fink-Richardson patent (PX 6) is directed toward the stabilization process; that is, the prevention of incrustation by treating water with minute amounts of a polyphosphate. Claim 18 of the Fink-Richardson patent reads as follows:

> "18. The process of treating water which consists in adding to the water sodium hexametaphosphate in an amount of the order of about 1 to 3 parts per million and not more than 9 parts per million."

The limits covered by this claim are those specified in the recital clause, paragraph (a) of the license agreement (Exhibit A to the complaint).

Plaintiffs admit in their complaint the Fink-Richardson patent differs from the Hall patent which was invalidated by reason of the Fresenius text. They say in paragraph 7 of the complaint:

"The Fink-Richardson patent differs from the Hall pat-

ent in that Fink-Richardson teaches the use of metaphosphate in much smaller quantities than taught by the Hall patent. The use of metaphosphate in the full amounts taught by the Hall patent not only prevents precipitation of calcium but also softens the water. The use of metaphosphate in the amounts taught by Fink-Richardson limits or prevents precipitation of calcium but does not soften the water."

Since in the license agreement of January 29, 1948 (Exhibit A to complaint) plaintiffs admit in recital (b) their activities "constitute participation in the practice of the invention claimed" in the Fink-Richardson patent, they cannot now say their practices are the same as the teachings of the Fresenius text. For if the Hall patent and the Fresenius text are the same, and if, as is admitted, the Hall patent and the Fink-Richardson patent are different, then necessarily, plaintiffs' practices which follow the Fink-Richardson patent, cannot be the same as the Fresenius text. What plaintiffs are saying is two things which are not equal to the same thing are nevertheless equal to each other. Such a contention cannot be followed.

In short, not only has there been no change of situation or of circumstance since the parties entered into the license agreement in 1948, but there is nothing whatsoever in the decision of either Court in the Economics case that can form any basis for holding plaintiffs' practices are the same as the teachings of Fresenius.

3. Plaintiffs have not met the standard of identity of the Marcalus doctrine. Plaintiffs do not state the present state of the litigation at bar when they say:

"On Nalco's motion, this Court held that the Hall Companies are estopped to present prior art set up on the original action (pursuant to the Marcalus doctrine or otherwise) but it held that the Hall Companies might in-

voke Fresenius and the present issue was set down for separate trial."

I did not hold "that the Hall Companies might invoke Fresenius." In denying Nalco's motion for summary judgment, I said:

"While I do not consider it appropriate to rule on the question definitively at this time my present thought is the Marcalus doctrine would not apply in the instant case for the broad basis of that decision was the public interest in the common use of the expired patent." (93 F. Supp. at 379). I held a final decision as to whether the Marcalus doctrine could apply, in other words whether plaintiff could "invoke Fresenius", would be deferred pending determination of the preliminary question whether plaintiffs' practices do in fact correspond with the teachings of the Fresenius text.

And again, in granting Nalco's motion for separate trial on the issue of identity between plaintiffs' practices and the teachings of Fresenius, I said:

"If it so developed on this issue the decision is in favor of plaintiffs, then the parties can proceed on any other issues which could be said to remain, and which the court will decide could remain. If the decision on the issue is in favor of defendant, this would seem to end the cause in this Court". (95 F. Supp. at 326).

There would be a number of issues remaining if I should decide for plaintiffs on the question of identity between plaintiffs' practices and the Fresenius text, including the question as to the limits of the Marcalus doctrine, plaintiffs' right in equity to avoid liability under the compromise and settlement of the previous litigation, etc.

I look at the Marcalus case as it bears on the issue of identity between plaintiffs' practices and the teachings of Fresenius. Automatic Paper Machinery Co. v. Marcalus

Mfg. Co., 3 Cir., 147 F. 2d 608, was an action by an assignee against the assignor of the patent charging infringement. The Court of Appeals (per Judge Biggs) decided the defendant should be held not to infringe, by reason of the fact the accused machine was a copy of a prior expired patent to Inman. The Court held the subject matter of a prior expired patent was in the public domain as "a matter of official record" (147 F. 2d at 613) and therefore defendant's machine could not be held to infringe plaintiff's patent. In reaching its decision the Court of Appeals emphasized the identity between the defendant's practices and the expired Inman patent, saying:

"The accused machine is in fact a Chinese copy of Inman's." (147 F. 2d at 619).

and again that except for "trivial" differences

"the accused machine, that of Inman and that of the Marcalus patent are as alike as peas in a pod." (147 F. 2d at 612-613).

The Supreme Court affirmed, Scott Paper Co. v. Marcalus Co., 326 U. S. 249, pointing out:

"the patent laws preclude the patentee of an expired patent and all others including petitioner from recapturing any part of the former patent monopoly; for those laws dedicate to all the public the ideas and inventions embodied in an expired patent." (326 U. S. at 256). More than that, the Supreme Court emphasized the identity between the accused machine and the expired Inman patent, stating:

"the accused machine is precisely that of an expired patent." (326 U. S. at 254).

Thus, the point of inquiry is whether plaintiffs' practices are "a Chinese copy" of the Fresenius text, or that plaintiffs' practices are "precisely those" of the teachings of the Fresenius text. Nowhere in the Fresenius text is

there any teaching whatsoever relative to prevention of incrustation. Nowhere is there any teaching of the addition of metaphosphates and most significantly of all, nowhere is there any teaching of the addition of minute quantities of metaphosphates. Excerpts from the Fresenius text can be read and nowhere will there be found a teaching of the water stabilization procedure taught by Fink-Richardson and practiced by plaintiffs pursuant to the license, whereby incrustation is prevented by the addition of minute quantities of polyphosphoric acid compounds in the range of from 1 to 9 parts per million and usually in the range of 1 to 3 parts per million.

Plaintiffs obscure this fact by saying Fresenius does not "exclude" the use of minute amounts and by talking about the skill of the art; but, when they claim the use of minute quantities of polyphosphoric acid compounds to cause stabilization is merely a matter of ordinary skill of the art, they are repudiating the statements which they made over the years in applying for a patent on the water stabilization process and the statements which they made to their customers and to the trade asserting without reservation this process was revolutionary and a great contribution to the art. They made these statements with full knowledge of the Hall reissue patent held to be in substance the same as the Fresenius text.

4. Any doubt which may have existed, as to whether a licensee is in fact estopped to contest validity, has been completely resolved by the recent cases reaffirming the estoppel doctrine. Automatic Radio Mfg. Co. v. Hazeltine, 339 U. S. 827, 836; Atlas Imperial Diesel Engine Co. v. Lanova Corp., D.C. Del., 79 F. Supp. 1002; Cold Metal Process Co. v. United Eng. and Foundry Co., 3 Cir., 190 F. 2d 218, 220. Under these judicial facts there is no basis for extending the scope of the Marcalus case.

5. As to the question of identity between plaintiffs' practices and the teachings of Fresenius, plaintiffs' own conduct in the series of suits in this court shows there is no such identity.

Plaintiffs knew about the Fresenius text and the decision by the trial court in the Economics case as early as May, 1947 (72 F. Supp. 683). Yet they did not plead Fresenius in the then pending case against Nalco. Under the liberal provisions of FR 8(e) (2), permitting alternative and hypothetical pleadings they could have done so, even though they had an appeal pending, if plaintiffs' practices even remotely resembled a "Chinese copy" of Fresenius' teachings as interpreted in the Economics case.[21] Moreover, plaintiffs were not yet licensed under Fink-Richardson and the issues in the case then pending between plaintiffs and Nalco, CA 538, were "validity" and "infringement" so they could have pleaded Fresenius merely as "prior art", if the text had any possible bearing on Fink-Richardson. They could have cited Fresenius as a reference, contingent on the outcome or correctness of the Economics case.

Instead, plaintiffs settled their action against Nalco in January, 1948, after it had been pending almost three years, the settlement including a license to plaintiffs under the Fink-Richardson patent (Ex. A to complaint). Paragraphs 8 and 9 stated the conditions under which plaintiffs were to be released of liability, and there was no mention whatsoever of Fresenius, the Economics case or about any release of liability if the Economics decision should be affirmed on appeal. Knowing about Fresenius, they agreed

21. For example, in Dollar v. Land, 154 F. 2d 306, 310, aff'd 330 U. S. 731, the plaintiff pleaded a contract was void, or, if it was not, it represented a pledge of securities. See Moore on Federal Practice, Vol. 2, para. 8.31, for other instances of hypothetical pleadings.

in the recitals their activities constituted practice of the invention of the Fink-Richardson patent.

Further, as a part of the settlement, plaintiffs agreed to the final judgment entered in CA 538 on February 10, 1948, which recited the parties "have settled and compromised this controversy." There was no suggestion to the Court the controversy was settled only if the Economics decision was reversed on appeal.

And then after making three quarterly payments under the license agreement, plaintiffs began its second declaratory judgment action in this court against Nalco asking to be relieved of their agreed liability on the ground the affirmance by the Eighth Circuit of the decision of the trial court in the Economics case, in its entirety, constituted a "new situation".

Plaintiffs' practices were not a "Chinese copy" of Fresenius' teachings either before or after the decision of the trial court in the Economics case. If they had any conceivable relation to the Fresenius text, Fresenius could have been pleaded, hypothetically, if plaintiffs thought necessary. They were not as alike as "peas in a pod" when the case was settled. If so, plaintiffs could have raised the matter in connection with the escape clauses of the license and raised it to the court in making the representations the controversy was settled. They were not "Chinese copies" or "peas in a pod" then, and the mere fact the Eighth Circuit affirmed in toto the Economics decision below does not make them identical now.

The claim of a "new situation" is merely an attempt to avoid a liability knowingly agreed upon. In Galion Iron Works v. J. D. Adams Mfg. Co., 7 Cir., 105 F. 2d 943, the license agreement was entered into in order to avoid litigation and the licensee specifically agreed to pay a royalty on each motor grader manufactured by it. In holding the

defense of the prior art did not apply, the Court said (at p. 946):

"Both parties intended that until there was a decision of invalidity or non-infringement, appellant was bound to pay a royalty of $25, for each structure made and sold by it which embodied any one or more of the claims in suit regardless of whether such claim or claims was or were, in fact, invalid, or whether, in fact, such structure or structures infringed."

It is established when voluntary compromises and settlements are reached for the purpose of determining matters in doubt between the parties, such compromises are conclusive. Pomeroy's Equity Jurisprudence, Vol. 3, § 850.

This principle has been repeatedly recognized, and as stated in Chicago and North Western Railroad v. Wilcox, 8 Cir., 116 F. 913, 914-915:

"• • • where parties have knowingly and purposely made an agreement to compromise and settle a doubtful claim, whose character and extent are necessarily conditioned by future contingent events, it is no ground for avoidance of the contract that the events happened very differently from the expectation, opinion or belief of one or both of the parties."

6. Here plaintiffs do not claim there has been any judicial attack upon the Fink-Richardson patent and, in fact, there has been none. If plaintiffs' contentions are correct the decision of the Court of Appeals in the Economics case permits them to avoid the license agreement, and, in effect nullify the value of the Fink-Richardson patent—to agree would render useless compromises and settlements of litigation in patent cases.

CONCLUSIONS OF LAW.

1. This court has jurisdiction.

2. Plaintiffs are estopped to contest validity of the Fink-Richardson patent for they are licensees under a license agreement dated January 29, 1948.

3. Plaintiffs are estopped to contend they have been evicted from the benefits of said license agreement, or to contend their activities are justified by the alleged prior art for the following reasons, any one of which alone is sufficient to create such estoppel:

a. For the reason said license agreement was entered into by plaintiffs with full knowledge of all the alleged prior art described in the complaint;

b. By reason of the fact paragraphs 8 and 9 of said license agreement expressly provide the sole circumstances under which plaintiffs may be relieved of their obligation under the license agreement and none of the circumstances described in said paragraphs have existed or do now exist;

c. By reason of the fact that in recitals (a) and (b) of the license agreement plaintiffs expressly admitted and agreed their activities constitute participation in the inventions claimed in the Fink-Richardson patent;

d. By reason of the fact they made three payments of royalties under the license agreement, then having full knowledge of all of the alleged prior art described in their complaint herein, and their practices have not changed;

e. By reason of the fact said license agreement was entered into as an integral part of the compromise and settlement of the litigation then pending between plaintiffs and defendant in this court, CA No. 538, at which time plaintiffs were fully aware of all of the alleged prior art described in their complaint herein;

f. By reason of the fact plaintiffs seek to relitigate the matters of which they had full knowledge at the time the previous suit was settled and compromised, which they may not do in a court of equity.

4. Even if plaintiffs were not so estopped, and without deciding as to the scope to be given to the decision in Scott Paper Co. v. Marcalus, 326 U. S. 249, plaintiffs have not been evicted from the benefits of the license agreement by reason of the teachings of the Fresenius text as interpreted in Hall Laboratories v. Economics Laboratory, D.C. Minn., 72 F. Supp. 683, affirmed 8 Cir., 169 F. 2d 65, nor do plaintiffs' practices covered by said license agreement correspond with the teachings of said Fresenius text, as interpreted in the Economics case.

5. Plaintiffs have neither alleged, nor is there any evidence any of the contingencies provided for in paragraphs 8 and 9 of the license agreement have occurred or exist.

6. Absent the happening of any of these contingencies provided for in paragraphs 8 and 9 of the license agreement, plaintiffs are bound by the terms of the agreement and obligated to pay royalties thereunder.

7. Irrespective of the correctness of the decision in the Economics case, decision in that case involved different parties and different subject matter and is not controlling here.

8. Defendant is entitled to receive all of the royalties under the license agreement which have been deposited by plaintiffs with the Clerk of this Court.

9. Defendant is entitled to a decree dismissing plaintiffs' complaint with prejudice, and awarding costs to defendant to be determined by Mr. Pollard, the Clerk of this Court.

At Wilmington,
March 24, 1954.

JUDGMENT OF THE DISTRICT COURT, DISTRICT OF DELAWARE.

And Now, To-Wit, the 29th day of April, 1954, a separate trial having been held upon the single issue as to whether or not plaintiffs' practices correspond with the teachings of the Fresenius text and the court having filed its opinion, findings of fact and conclusions of law herein, on March 24, 1954, it is Ordered, Adjudged, and Decreed As Follows:

1. All royalties under the license agreement between the parties hereto, which have been deposited by plaintiffs with the Clerk of this Court, shall be paid by the Clerk to defendant.

2. The complaint herein is dismissed with costs in favor of defendant, the amount thereof to be determined by the Clerk of this Court.

(s) Richard S. Rodney
U. S. District Judge
Acting under the provisions of
Rule 63, F.R.C.P. due to the
disability of Judge Leahy.

Approved as to form.

Aaron Finger
Attorney for Plaintiffs

Arthur G. Connolly
Attorney for Defendant

Office - Supreme Court, U.
FILED
NOV 5 1955
HAROLD B. WILLEY, Cl

IN THE

Supreme Court of the United States

OCTOBER TERM, 1955

NO. 478

NATIONAL ALUMINATE CORPORATION,
Petitioner,

v.

HALL LABORATORIES, INCORPORATED, THE BUROMIN COMPANY, CALGON, INCORPORATED and HAGAN CORPORATION,
Respondents.

BRIEF FOR RESPONDENTS ON PETITION FOR CERTIORARI

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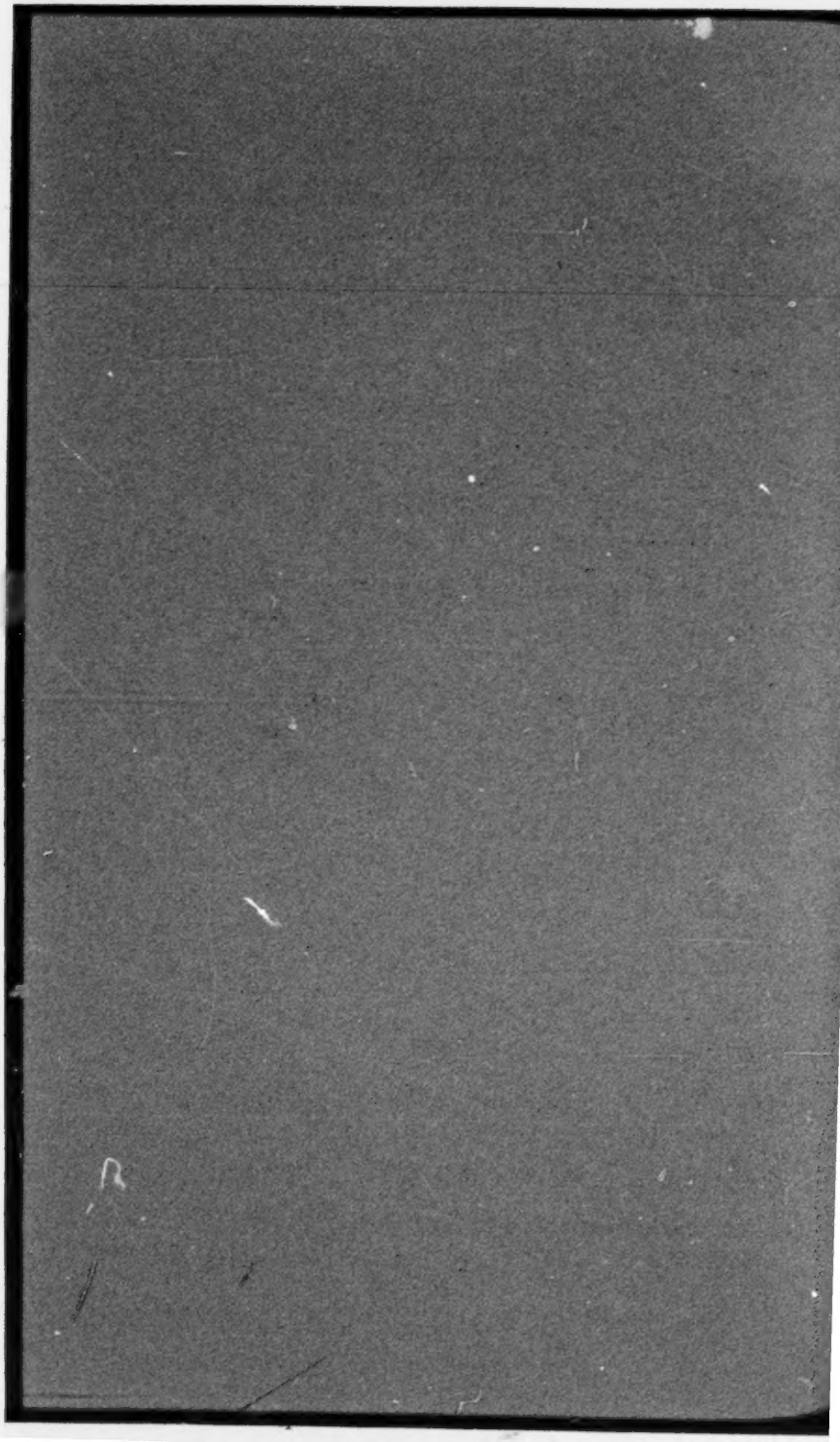

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1955

NO. 478

NATIONAL ALUMINATE CORPORATION,
Petitioner,

v.

HALL LABORATORIES, INCORPORATED, THE BUROMIN COMPANY, CALGON, INCORPORATED and HAGAN CORPORATION,
Respondents.

BRIEF FOR RESPONDENTS ON PETITION FOR CERTIORARI

We believe that this case presents questions which should be reviewed by this Court, some, but not all of which, are presented by the petition of National Aluminate Corporation ("Nalco"). The respondents ("Hall") are concurrently seeking review of the judgment below, insofar as it is adverse to them, by a petition for a cross-writ of certiorari.

Statute Involved

The case involves a question of the effect of the new Patent Act, specifically the Act of July 19, 1952, c. 950, § 1, 66 Stat. 798; 35 U.S.C. 103. That section, with the preceding section referred to therein, is printed in the appendix to this brief. (*infra*, pp. 8-9).

Questions Presented

Nalco's statement of questions presented (Petition, p. 3) is too narrow. Important ones are stated in Hall's petition for a cross-writ; within the purview of Nalco's petition they should include the following:

(1) Is the *Formica-Marcalus* doctrine (*Westinghouse Co. v. Formica Co.*, 1924, 266 U.S. 342; *Scott Paper Co. v. Marcalus Co.*, 1945, 326 U.S. 249) limited in its application to cases where doubt existed between the parties as to the true scope of the patent claims when they made their agreement?

(2) Does the fact that a prior patent was known to both the licensor and the licensee when they made their license agreement preclude the licensee from invoking the prior patent in limitation of the licensed patent under the *Formica-Marcalus* doctrine?

(3) Does the fact that the practices contemplated by the licensee are recited in the patent license agreement preclude the licensee from comparing those practices with the prior art under the *Formica-Marcalus* doctrine?

(4) Under the *Formica-Marcalus* doctrine, is a licensee precluded from invoking prior art which completely anticipates the licensed patent?

(5) Under the *Formica-Marcalus* doctrine, is a licensee limited to invoking prior art of which his practices are a "Chinese copy", or may he show that his practices, while not precisely those of a single item of prior art, consist merely of its disclosure plus ordinary mechanical skill?

Statement of the Case

We do not concur unqualifiedly in petitioner's "Statement of Facts" (Petition, pp. 3-10) but since most of the corrections we would make bear upon the merits of the case rather than upon the grant or denial of certiorari, we make only four additional comments here:

(1) The judgment of dismissal that was entered in the first litigation between the parties (Petition, pp. 5-6) was a dismissal without prejudice both as to Hall's complaint and Nalco's counterclaim; F.R.C.P., Rule 41(a).

(2) Hall did not seek in the present action to recover the amount paid in settlement for the past, or any royalties already paid under the license; what Hall sought was a declaration that it was not obliged to pay further royalties, in view of the prior art.

(3) The trial court in the case at bar refused to give any consideration whatsoever to the Judson, Burk and Rosenstein patents (Petition, pp. 6-7, 34). Its refusal, however, was not related in any way to their expiration dates but was on the ground that the patents had been known to the Hall Companies at the time that the first suit was dismissed and the license agreement was made; 95 F. Supp. 323, 326.

(4) Hall, as well as Nalco, filed a timely petition for rehearing below. Both petitions were denied on the same day.

Argument

—I—

Although the decision below is not final, we submit that writs of certiorari should be granted now if the substantive questions involved are deemed appropriate for review by this Court. Certiorari has heretofore been granted to review judgments which were not final but where, as here, the ruling below was "fundamental to the further conduct of the case" and the questions involved were of public importance: *U.S. v. General Motors Corp.*, (1945) 323 U.S. 373, 377; *Land v. Dollar*, (1947) 330 U.S. 731, 734; *Larson v. Domestic & Foreign Corp.*, (1949) 337 U.S. 682, 685. If the petitions are denied the case will go back to the District Court for a second trial, to be followed by another appeal, and, in all probability, by still a third trial and a third appeal, because of the present uncertainty of the law.

—II—

We believe that the judgment below raises questions under the patent laws which are of such public importance that they ought to be settled by this Court. While the majority opinion below accords Hall the right to compare the Fink-Richardson patent with three now-expired U.S. patents (Petition, p. 34) it rigidly circumscribes the comparison in these respects:

(a) It precludes comparison of the prior art with Hall's licensed practices, insofar as they are described in the license agreement (Petition, p. 33);

(b) It precludes comparison of a prior patent with the licensed Fink-Richardson patent in the

event that such comparison results in "complete anticipation" (Petition, pp. 32-33); and

(c) It leaves undisturbed the holding of the District Court that the licensee must show that the practices he seeks to justify are "Chinese copies" of a prior art item (Petition, p. 57; cf. Nalco's assertions, Petition, p. 19).

Also (d), it precludes the invoking of prior art lying in any category other than expired United States patents (Petition, pp. 31-32);*

and it remands the case to the District Court for further proceedings "not inconsistent with the opinion of this court" (Petition, p. 39).

The majority opinion below seems to agree that the holding thereof conflicts with the decision in *Casco Products Corp. v. Sinko Tool & Mfg. Co.,* (C.A. 7, 1940) 116 F. 2d 119, cert. den. 312 U.S. 693, and with the lower court's own prior decision in *Automatic Paper Machinery Co. v. Marcalus Mfg. Co.,* (1945) 147 F. 2d 608 (Petition, p. 32); it concludes, however, that the present result is compelled by this Court's decision in *Automatic Radio Mfg. Co. v. Hazeltine,* (1950) 339 U.S. 827, and because this Court, in deciding *Scott v. Marcalus, supra,* "did not rely upon" the Court of Appeals' "alternative holding" in the *Marcalus* case, but bottomed the decision simply upon the fact that the prior Inman patent was expired (Petition, pp. 32-33).

The division in the court below stems from conflicting beliefs as to the purpose and scope of the *Formica-*

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* This portion of the majority opinion below is questioned in Hall's petition for a cross-writ.

Marcalus doctrine. On the one hand, the majority of the court below held that neither the *Formica* case in this Court nor its own decision in *Marcalus* "was predicated upon an overriding public policy" but was designed simply "to meet the situation where some doubt existed between the parties as to the true scope of the patent claims" (Petition, p. 33) and that this Court's decision in *Marcalus* enounced a "statutory" policy applicable only to expired United States patents (Petition, p. 34). On the other hand, Chief Judge Biggs, accepting the general proposition that "where a voluntary compromise is reached it is normally binding, as is any contract", urged that the *Formica-Marcalus* doctrine enounces an "overriding consideration" of "limitation of monopoly for the public good", precluding a licensor from using his license "as a bar to an attack on a monopoly" (Petition, pp. 35-36), and that the application of the *Formica-Marcalus* doctrine is not limited in the ways that the majority below deemed it to be. He also urged that the new Patent Act, 35 U.S.C. 103 (*infra*, p. 9), constitutes "a statutory prohibition of the sort referred to by Mr. Chief Justice Stone in Marcalus", and that a defense by way of limitation of claims should be allowed "on the basis of the entire existing art" and not be limited to Chinese copies of expired United States patents (Petition, p. 38).

Thus, within the purview of Nalco's petition (as well as Hall's cross-petition) there are important questions as to the proper understanding and application of this Court's decisions in the *Formica, Marcalus* and *Hazeltine* cases; cf. *Webster Co. v. Splitdorf Co.*, (1924) 264 U.S. 463, 469; the decision below is in conflict with (at least) the decisions of the Court of Appeals for the

Seventh Circuit; *Casco v. Sinko, supra,* and *Dixie-Vortex Co. v. Paper Container Mfg. Co.,* (1942) 130 F. 2d 569; and there is a question of the effect of the new Patent Act upon the scope now to be given to this Court's decision in the *Marcalus* case, enounced prior to the passage of that Act.

Respectfully submitted,

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November 4, 1955.

APPENDIX

35 U.S.C. 102: Conditions for patentability; novelty and loss of right to patent

A person shall be entitled to a patent unless—

(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or

(c) he has abandoned the invention, or

(d) the invention was first patented or caused to be patented by the applicant or his legal representatives or assigns in a foreign country prior to the date of the application for patent in this country on an application filed more than twelve months before the filing of the application in the United States, or

(e) the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent, or

(f) he did not himself invent the subject matter sought to be patented, or

(g) before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it. In deter-

mining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other. July 19, 1952, c. 950, § 1, 66 Stat. 797.

35 U.S.C. 103: Conditions for patentability; non-obvious subject matter

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made. July 19, 1952, c. 950, § 1, 66 Stat. 798.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1955

NO. ....

HALL LABORATORIES, INCORPORATED, THE BUROMIN COMPANY, CALGON, INCORPORATED and HAGAN CORPORATION,
Cross-Petitioners,

v.

NATIONAL ALUMINATE CORPORATION,
Cross-Respondent.

PETITION FOR A CROSS-WRIT OF CERTIORARI TO THE UNITED STATES COURT OF APPEALS FOR THE THIRD CIRCUIT

Hall Laboratories, Incorporated, The Buromin Company, Calgon, Incorporated and Hagan Corporation, plaintiffs-appellants in the Court below and respondents to the petition filed herein by National Aluminate Corporation at No. 478, pray that a cross-writ of certiorari issue to review the judgment of the United States Court of Appeals for the Third Circuit entered June 22, 1955 (rehearing denied August 8, 1955).

Opinions Below

The opinion of the Court of Appeals is reported at 224 F. 2d 303, and a copy is appended hereto (*infra*, p. 12).

The opinion of the District Court is reported at 120 F. Supp. 684. It appears in the copies of the record filed by National Aluminate Corporation ("Nalco") with its

petition at No. 478 (Tr., Item 1, pp. 8a-35a),* and is not appended; Rule 23(i).

Statute Involved

The case involves a question of the effect of the new Patent Act, specifically the Act of July 19, 1952, c. 950, § 1, 66 Stat. 798; 35 U.S.C. 103. That section, with the preceding section referred to therein, is printed in the appendix to this petition (*infra,* pp. 28-29).

Jurisdiction

The judgment of the Court of Appeals (*infra,* p. 28) was entered on June 22, 1955. The time allowed to Hall Laboratories, *et al.* ("Hall") for filing a petition for rehearing was extended to July 18, 1955 (Tr. Item 8) and Hall filed a petition for rehearing and clarification on that day (Tr., Item 11). That petition, as well as Nalco's concurrent petition for rehearing, was denied August 8, 1955 (Tr., Item 13). This Court has jurisdiction by reason of the provisions of 28 U.S.C. 1254(1) and 2101(c).

Questions Presented

(1) Does the *Formica-Marcalus* doctrine (*Westinghouse Co. v. Formica Insulation Co.,* 1924, 266 U.S. 342; *Scott Paper Co. v. Marcalus Co.,* 1945, 326 U.S. 249) permit comparison of accused practices only with a prior, expired, United States patent and preclude comparison with all other categories of prior art, e.g., a prior printed publication or a prior public use in this country?

(2) Under the new Patent Act, 35 U.S.C. 103, is the statutory prohibition against contracts limiting the free

* References are to the record at No. 478; Rule 21(5).

and unrestricted right to use the subject matter of expired United States patents, as enounced in the *Marcalus* case, applicable to the entire existing art and obvious modifications thereof?

(3) If the answer to Question (1) is "No", is the comparison of the licensed practices with categories of prior art other than expired United States patents, which would thus be generally allowed, precluded where the license agreement was entered into as the result of a compromise and settlement?

Statement of the Case

Hall was licensed by Nalco under Nalco's Fink-Richardson patent 2,358,222, dated Sept. 12, 1944, on January 29, 1948 (Tr., Item 1, p. 45a). The patent is for the use of a class of phosphates called "polyphosphates" in the treatment of water which contains dissolved calcium (water containing substantial amounts of calcium is familiarly called "hard").

Calcium has a tendency to precipitate out of the water under certain conditions and lodge itself on the surfaces of the water tubes or vessels as "scale". The treatment consists simply of the addition of the polyphosphate to the water in small amounts—the patent has several claims, variously calling for amounts as small as one-tenth part per million ("ppm") and as high as 100 ppm. The addition inhibits the precipitation of calcium and thus reduces or prevents the formation of scale.

Nalco's application for the Fink-Richardson patent had been in interference with a Hall application and priority had been adjudged in favor of Fink-Richardson.

Shortly after the patent issued Hall sued Nalco for a declaratory judgment that the Fink-Richardson patent was invalid and was not infringed by the practices of Hall and its customers in the treatment of water. Those practices consisted of the addition of "sodium hexametaphosphate" (herein called, simply, "metaphosphate"), which is one of the "polyphosphates", in amounts within the range specified by Fink-Richardson. Nalco had counterclaimed, charging infringement.

Concurrently with the execution of the license agreement here involved, the complaint and counterclaim were dismissed by mutual consent, the terms of the order being such that the dismissals were without prejudice. Hall also paid Nalco $10,000 in full satisfaction of all charges of past infringement and gave it a covenant not to sue on another, unrelated, patent.

At and prior to the transactions just stated, Hall had also been exploiting its Hall patent Re. 19,719 (Tr., Item 2, p. 45b), which was earlier in date than Fink-Richardson. The Hall patent disclosed the addition of metaphosphate to calcium-containing water. The dosages specified by Hall were larger than those specified by Fink-Richardson. The larger dosages of Hall had, like Fink-Richardson, the effect of inhibiting the precipitation of calcium, but they also had the effect of making the "hard" water "soft" when used with soap, which effect did not result from the use of the more limited dosages (0.1 to 100 ppm.) prescribed by Fink-Richardson.

The Hall patent had been held invalid when the Hall-Nalco license agreement under Fink-Richardson was made; *Hall Laboratories, Inc. v. Economics Labora-*

tories, Inc., (D.C. Minnesota, 1947) 72 F. Supp. 683, but an appeal was pending. Nalco was not a party to the *Economics* case but had full knowledge of it.

The major item of prior art in the *Economics* case was a printed publication—a textbook on quantitative chemical analysis by a chemist named Fresenius. Fresenius taught nothing about water softening. He did teach that the "presence" of metaphosphate prevented the precipitation of calcium, without specifying any minimum or maximum amount. Hall contended in the *Economics* case that Fresenius' teaching was an admonition *not* to use metaphosphate but the Court of Appeals held that there was no "demonstrable distinction" between Fresenius and Hall, that Hall had "simply verified the statements of the facts of chemistry in the text of Fresenius", and that Fresenius was thus anticipatory; 169 F. 2d 65, 68.

Deeming that the holding of the Court of Appeals as to Fresenius vis-a-vis Hall applied *a fortiori* to Fresenius vis-a-vis Fink-Richardson, Hall commenced this action, praying, *inter alia,* for a judgment that its practices were justified by the Fresenius text as it had been interpreted in the *Economics* case. Hall also averred that its practices were justified by various prior United States patents and public uses. Hall did not seek the return of money paid on the settlement or of the royalties it had already paid Nalco but asked for a judgment that it was not required to pay royalties in the future.

Nalco moved for summary judgment, which was denied; 93 F. Supp. 376. The trial judge refused to look at any of the prior art cited, other than Fresenius, on

the ground that Hall was precluded from citing any prior art cited in the earlier action; he deemed, however, that there should be a hearing on Fresenius. Nalco thereupon moved for a separate trial on the single issue as to whether Hall's practices correspond to Fresenius. That motion was granted; 95 F. Supp. 323; and a trial on the Fresenius issue was had, the decision thereon being in Nalco's favor; 120 F. Supp. 684 (Tr., Item 1, p. 8a).

In his final opinion, the trial judge (a) reiterated his refusal to consider the prior art cited in the earlier action; (b) left undecided "the scope to be given to the decision in *Scott Paper Co. v. Marcalus,* 326 U.S. 249," but also pointed to *Automatic Radio Co. v. Hazeltine,* (1950) 339 U.S. 827 and decisions of lower courts as "reaffirming the estoppel doctrine" and said that "under these judicial facts there is no basis for extending the scope of the *Marcalus* case"; (c) held that the *Marcalus* doctrine is limited to cases of "a Chinese copy" or practices "precisely those" of the involved prior art; and (d) that Hall had "not met the standard of identity of the Marcalus doctrine".

Hall appealed. The appeal was heard by Chief Judge Biggs and Circuit Judges Maris and Kalodner, and the decision was by a divided court, Chief Judge Biggs dissenting in part.

All of the judges below agreed that Hall is entitled to invoke three United States patents that are now expired, and that the case should be remanded for that purpose (*infra,* pp. 21-22, p. 27).

All of the judges below seem tacitly to agree that the Fresenius publication discloses everything of sub-

stance in the Fink-Richardson patent, but Judges Maris and Kalodner, in the majority opinion (*infra,* p. 22) deem that this Court's decision in *Scott Paper Co. v. Marcalus Co.,* (1945) 326 U.S. 249, states a "statutory" policy which is limited to a comparison of accused practices with expired United States patents, and that Hall is precluded from invoking Fresenius because its disclosures are contained in a prior printed publication, rather than in an expired patent; by the same token, they hold that Hall is precluded from showing that its practices correspond to practices in public use prior to Fink-Richardson, except as reflected in an expired United States patent (*infra,* p. 21). Chief Judge Biggs, on the other hand, urges in his dissent (*infra,* p. 23) that the *Formica-Marcalus* doctrine is not thus limited, particularly in view of the provisions of the new Patent Act. 35 U.S.C. 103 (*infra,* p. 27).

Before coming to a consideration of the now-expired patents, the majority opinion below states numerous limitations on the *Formica-Marcalus* doctrine that the majority below deems to exist. Insofar as we deem those matters to be within the purview of Nalco's petition for a writ of certiorari at No. 478, we have discussed them in Hall's reply to that petition, but there remains for consideration the holding of the majority below that licensees are estopped from justifying their practices on the basis of prior art when the license is entered into as the result of a compromise and settlement of litigation on the patent (*infra,* pp. 15-16). While it is perhaps tacit in the next-to-the-last paragraph of the majority opinion below that "compromise and settlement" does not bar Hall from invoking the now-expired patents there mentioned (although Hall knew of them at the

time of the settlement), the question still remains whether licensees are barred by compromise and settlement from invoking the *Formica-Marcalus* doctrine on the basis of prior art items other than expired patents, specifically, prior printed publications and prior public uses.

Argument

SCOPE OF REVIEW REQUESTED

Hall seeks a review of those portions of the decision of the Court of Appeals which are adverse to it, and particularly those portions that (a) limit the application of the *Formica-Marcalus* doctrine to comparison with expired United States patents, to the exclusion of all other categories of prior art, and (b) preclude licensees from invoking that doctrine after compromise and settlement of litigations on the patent involved. It is believed that the questions stated in Hall's reply to Nalco's petition can be decided by this Court upon that writ, if it be granted; *Stelos Co. v. Hosiery Corp.,* (1935) 295 U.S. 237, 238-9; but out of possible excess of caution, we cross-petition in the broad terms stated immmediately above.

REASONS RELIED UPON FOR THE ALLOWANCE OF THE CROSS-WRIT

(1) The decision below raises important questions outside the purview of Nalco's petition. We believe that the questions presented by this petition for a cross-writ are at least as important as those within the purview of Nalco's petition. This petition for a cross-writ is deemed necessary or desirable since resolution of them in the manner contended for by Hall would result in overturning portions of the judgment below which are unfavor-

able to Hall. Decisions of this Court believed to be apposite are *Morley Co. v. Maryland Casualty Co.* (1937) 300 U.S. 185, 191 and *LeTulle v. Scofield,* (1940) 308 U.S. 415, 421.

(2) The decision below presents important questions as to the proper understanding and application of this Court's decisions in the *Formica, Marcalus* and *Hazeltine* cases.* It is believed that there should be a review of the decision below in these circumstances; *Webster Co. v. Splitdorf Co.,* (1924) 264 U.S. 463, 469.

(3) The decision below presents an important question of patent law which has not been, but ought to be, decided by this Court. The specific question—whether the *Formica-Marcalus* doctrine permits comparison of accused practices with prior art generally, or only with expired United States patents (which was the basis of comparison in *Marcalus*)—has not been specifically decided by this Court, albeit the decision in the *Formica* case states without limitation that it is admissible to show "the state of the art involved". Similarly, the decision in *Casco Products Corp. v. Sinko Tool & Mfg. Co.,* (C.A. 7, 1946) 116 F. 2d 119, cert. den. 312 U. S. 693 (which decision was approvingly referred to in the lower court's decision in the *Marcalus* case, 147 F. 2d 608, 612), does not impose the limitation now enounced by the court below, and the majority decision suggests a present disagreement with the *Casco* decision (*infra,* pp. 20-21). Nevertheless, another panel of judges in the court below

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**Westinghouse Co. v. Formica Co.,* (1924) 266 U.S. 342; *Scott Paper Co. v. Marcalus Co.,* (1945) 326 U.S. 249; *Automatic Radio Mfg. Co. v. Hazeltine,* (1950) 339 U.S. 827.

has applied the *Formica-Marcalus* doctrine in a case involving comparison of the accused device with a device that was not (so far as appears) disclosed in a prior patent, but had been in prior public use; *Timken-Detroit Axle Co. v. Alma Motor Co.,* (C.A.3, 1947) 163 F.2d 190.

It is believed that the question here involved is of even larger public interest than those involved in the *Formica* and *Marcalus* cases.

(4) An important question of the effect of the new Patent Act is involved. The majority opinion below postulates its decision on this Court's decision in the *Marcalus* case but holds that that decision enounces a "statutory" policy which limits the application of the doctrine to prior art subject matter disclosed in expired patents. The *Marcalus* case was decided by this Court prior to the enactment of the present Patent Act. In his dissent Chief Judge Biggs points to the new Patent Act (35 U.S.C. 103, *infra,* p. 29) as constituting "a statutory prohibition of the sort referred to by Mr. Chief Justice Stone in Marcalus", making the *Marcalus* doctrine applicable to all prior art, and not merely to expired patents. It is believed that this question is of such character and importance that it should be reviewed by this Court.

(5) While the decision below is not final, it is believed that the case is appropriate for review at this time. Decisions believed to be apposite in the circumstances are *U.S. v. General Motors Corp.,* (1945) 323 U.S. 373, 377; *Land v. Dollar,* (1947) 330 U.S. 731, 734; and *Larson v. Domestic & Foreign Corp.,* (1949) 337 U.S. 682, 685.

Conclusion

For the foregoing reasons Hall prays that this petition for a cross-writ of certiorari be granted.

Respectfully submitted,

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November 4, 1955

APPENDIX

I.

Opinion of the Court Below

[Caption Omitted]

The following opinion is reported at 224 F. 2d 303. The bold-faced numbers appearing in brackets therein have been inserted to indicate the paging in the Official Report.

OPINION OF THE COURT

(Filed June 22, 1955)

By KALODNER, *Circuit Judge*

This is an appeal from the judgment of the District Court for the District of Delaware dismissing the plaintiffs' complaint with prejudice and directing the payment to defendant of royalties, under a license agreement, which had been deposited in the registry of the Court.

The issue to be determined is whether the plaintiffs, in the circumstances of this case, are free to litigate the validity of a patent as to which they are licensees.

The plaintiffs, Hall Laboratories, Inc., The Buromin Company, Calgon, Inc., and Hagan Corporation (collectively "Hall"), affiliated companies under generally the same management, commenced this action for declaratory judgment against National Aluminate Corporation ("Nalco") seeking to be relieved of liability under a license agreement entered into on January 29, 1948, whereby Nalco granted to Hall a license under patent No. 2,355,222 ("Fink-Richardson" patent). This patent

relates to the treatment of incrusting water by the addition of small quantities (one to three, and sometimes up to nine parts per million) of polyphosphoric acid compound to prevent incrustation on the walls of passageways or containers of waters. The process is known as "stabilization". There is no dispute that the practices of Hall are within the Fink-Richardson patent and the license agreement.

The facts leading to the instant litigation are as follows:

In March, 1945, plaintiffs commenced an action against Nalco seeking a declaratory judgment that their practices did not infringe the Fink-Richardson patent and that the patent was invalid. Nalco filed an answer and counter-claim charging infringement. On January 29, 1948, the parties settled the controversy. The settlement included the license agreement above referred to, a release of past infringement (Hall paying to Nalco $10,000), a covenant not to sue on another patent, and the entry of an order of an agreed judgment of dismissal. On Feb- [305] ruary 10, 1948, the District Court entered a "final judgment", consented to by the parties, which recited that the parties had represented to the court that the controversy was compromised and settled, and that the defendants were granted a license. This judgment dismissed the complaint and the counter-claim, but contained no recitation as to prejudice.

Prior to the commencement of the aforesaid action, Hall Laboratories, Inc., had, in January 1945, instituted proceedings against Economics Laboratory, Inc., ("Economics") charging infringement of its patent, Re. 19,719 ("Hall" patent). Economics pleaded as a defense the in-

validity of that patent citing the writings of one Fresenius. On June 13, 1947, judgment was granted in favor of Economics on the ground that there was no demonstrable distinction between the Hall patent and the Fresenius text. *Hall Laboratories, Inc. v. Economics Laboratory, Inc.*, 72 F. Supp. 683 (D. C. Minn. 1947). On July 6, 1948, this judgment was affirmed in the Court of Appeals for the Eighth Circuit, 169 F. 2d 65.

Nalco was not involved in the Economics litigation, nor was the Fink-Richardson patent drawn into issue.

On January 31, 1949, the plaintiffs commenced the instant action against Nalco. The complaint recites substantially the foregoing facts. It further distinguishes the Fink-Richardson patent from the Hall patent. The Hall patent relates to water softening, the process being referred to as "sequestration", and achieves its effect by adding to hard water metaphosphate in substantially larger quantities than that taught by the Fink-Richardson patent, which does not soften water. However, the complaint alleges that the Fink-Richardson patent is invalid as having been anticipated by specific prior art and patents, and by the Fresenius text as interpreted by the courts in the Economics litigation. It further alleges that Hall, as a result of the "new situation", has been evicted from the license of January 29, 1948, and accordingly prays for judgment relieving Hall from the payment of royalties. Three royalty payments had been made by Hall to Nalco before the commencement of these proceedings.

The District Court denied Nalco's motion for summary judgment. 93 F. Supp. 376 (1950). Nalco then moved, pursuant to Rule 42(b), Federal Rules of Civil

Procedure, for a separate trial on the issue whether the plaintiffs' practices and the Fink-Richardson patent correspond with the teaching of the Fresenius text. This motion was granted. 95 F. Supp. 323 (1951). The District Court held the view that Hall was estopped to contest the validity of the Fink-Richardson patent, but permitted trial with respect to the Fresenius text, which had not been referred to by Hall in the prior declaratory judgment action brought by Hall against Nalco and which had been settled. In the exercise of its discretion, it determined that such issue should be tried, for if the decision went against Hall, it would resolve the entire controversy. Following trial, the District Court found as a fact that the Fresenius text, whether or not interpreted in the light of the Economics litigation, did not correspond with the plaintiffs' practices and the Fink-Richardson patent. It also found that Hall was estopped to contest the validity of the Fink-Richardson patent, both because of the settlement of the prior action between the parties and because of the license agreement. 120 F. Supp. 684 (1954).

In the District Court, as here, Hall relied on *Scott Paper Co. v. Marcalus Mfg. Co., Inc.*, 326 U. S. 249 (1945), as applicable authority for permitting Hall to attack the validity of the Fink-Richardson patent in the circumstances stated above.

We are of the opinion that Hall is estopped to contest the validity of the Fink-Richardson patent on the ground of the prior art, including the Fresenius text, as a result of the compromise and settlement of the prior action between these same parties. *J. Kahn & Co. v. Clark*, 178 F. 2d 111, 114 (5th Cir. 1949). In the prior action, the

prior art, except Fresenius, was pleaded, but the estoppel [306] is created by the contract embodying the settlement and compromise and license agreement and operates uniformly on all the prior art. It is noteworthy that Hall does not distinguish between its practice at the time of the prior action and at the time of the commencement of the instant action. Moreover, at the time of the compromise and settlement of the prior action, the Fresenius text was known to Hall, as was the judicial interpretation of it, which preceded the compromise by at least six months. If Hall felt that the Economics decision jeopardized the validity of the Fink-Richardson patent, that issue could have been litigated. Hall's present suggestion that it expected the Economics decision to be reversed on appeal is without effect, since the secret mental reservations by a contracting party cannot operate to modify a freely assumed contractual obligation. Only recently, in evaluating the effectiveness of a release in a personal injury action, we said:

> "True, the plaintiff is now known to have suffered to a greater extent than was previously thought. But the very nature and purpose of settlement presupposes a joint *approximation* of the future. The validity of a release is not conditioned upon the prescience of the parties." *Thompson v. Coastal Oil Co.*, 218 F. 2d 664 (January 28, 1955).

In this instance, the Economics decision added an arrow to Hall's quiver, but the Hall group traded its bow in the interest of peace and profit.

We are of the further opinion that Hall as a licensee is precluded from asserting the invalidity of the licensor's patent. *Cold Metal Process Co. v. United Engi-*

neering & Fdry. Co., 190 F. 2d 217, 220 (3rd Cir. 1951). But Hall, relying on *Scott Paper Co. v. Marcalus Mfg. Co., Inc., supra,* places in issue the proper scope of the estoppel doctrine, and suggests overtones of policy which, if accepted, would cut across any principle preventing Hall from disputing the validity of the licensed patent.

That a licensee is estopped to show the invalidity of the licensed patent has long been an accepted part of patent law. *Kinsman v. Parkhurst,* 18 How. 289 (U. S. 1855); *United States v. Harvey Steel Co.,* 196 U. S. 310 (1905); *Automatic Radio Mfg. Co., Inc. v. Hazeltine Research, Inc.,* 339 U. S. 827, 836 (1950). Its basis has been explained by Mr. Justice Frankfurter, dissenting in *MacGregor v. Westinghouse Electric and Mfg. Co.,* 329 U. S. 402, 413 (1946), in the following terms:

> "What we here have to decide is whether we shall allow the licensee to repudiate an agreement for the payment of money made in an arm's length transaction. For nearly a hundred years this Court has uniformly answered that question by using the legal shorthand of estoppel."

The terminology of estoppel by sanction of tradition rather than strictly logical appropriateness has been employed to designate the truth that a contract involving a patent is as binding as any other contract.[1]

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1. In the case of the "estoppel" of an assignor of a patent to contest the validity of the assigned patent, the use of the term can be justified logically as an application of the real property doctrine of estoppel by deed. See *Automatic Paper Machinery Co. v. Marcalus Mfg. Co.,* 147 F. 2d 608 (3rd Cir., 1945).

Considerations of public policy, however, transcend private bargaining and the traditional doctrine. Thus, in *Sola Electric Co. v. Jefferson Electric Co.,* 317 U. S. 173 (1942), the Supreme Court held the licensee not estopped to attack the validity of the licensed patent where the license agreement price fixing provisions would violate the anti-trust laws if the patent were invalid. See also *Mercoid Corp. v. Mid-Continent Investment Corp.,* 320 U. S. 661 (1944); *Katzinger Co. v. Chicago Metallic Mfg.* [307] *Co.,* 329 U. S. 394 (1946); *MacGregor v. Westinghouse Electric and Mfg. Co. supra.* And in *Scott Paper Co. v. Marcalus Mfg. Co., Inc., supra,* it was held that the assignor of a patent sued for infringement was not estopped to attack its validity by showing that the invention had been described in a prior expired patent. The Supreme Court, in that case said (page 257):

> "* * * the patent laws preclude the petitioner assignee from invoking the doctrine of estoppel, as a means of continuing as against respondent, his assignor, the benefit of an expired monopoly, and they preclude the assignor from estopping himself from enjoying rights which it is the policy of the patent laws to free from all restrictions. * * * The interest in private good faith is not a universal touchstone which can be made the means of sacrificing a public interest secured by an appropriate exercise of the legislative power. The patent laws preclude us from saying that the patent assignment, which they authorize, operates to estop the assignor from asserting that which the patent laws prescribe, namely that the invention of an expired patent is

dedicated to the public, of which the assignor is a member."

The crucial extension which Hall seeks to make is that the doctrine of the *Scott Paper* case is not restricted to situations in which invalidity of the patent in issue is premised upon a prior expired patent. In brief, Hall asserts that the laws which dedicate to public use the invention of an expired patent also dedicate the disclosures of prior publications and foreign patents for which timely patent application has not been made. Hall concludes that there is no basis for distinguishing between invalid patents on the grounds of their invalidity insofar as the *Scott Paper* case is concerned, and he relies upon language in the opinion of this court in *Automatic Paper Machinery Co. v. Marcalus Mfg. Co.*, 147 F. 2d 608 (1945), affirmed *sub nom. Scott Paper Co. v. Marcalus Mfg. Co.*, 326 U. S. 249.

It does not appear, however, that the Supreme Court has as yet relaxed the estoppel doctrine to this extent. In *Katzinger Co. v. Chicago Metallic Mfg. Co., supra,* decided subsequent to the *Scott Paper* case, the Supreme Court, in allowing the licensee to challenge validity, refused to re-examine the estoppel doctrine as embodied in the *Kinsman* and *Harvey Steel* cases, *supra.* In resting its decision upon the anti-trust aspects of the case, the Court specifically left open "under what other circumstances a federal rule of estoppel might be applied." 329 U. S. at page 399. As of 1946, therefore, the estoppel principle was not moribund. Any doubt is removed by *Automatic Radio Mfg. Co. v. Hazeltine Research, Inc.*, 339 U. S. 827 (1950), in which the Supreme Court held the licensee estopped to contest the validity of the

licensed patents. In unmistakable language the traditional doctrine was reiterated (page 836):

> "Finally, it is contended that notwithstanding the licensing agreement, petitioner-licensee may contest the validity of the patents it is charged with using. The general rule is that the licensee under a patent license agreement may not challenge the validity of the licensed patent in a suit for royalties due under the contract. *United States v. Harry Steel Co.*, 196 U. S. 310 * * * The *Katzinger* and *MacGregor* cases are inapplicable. The general rule applies, and petitioner may not, in this suit, challenge the validity of the licensed patents."

Nevertheless, Hall attempts to render its practices royalty-free upon *Casco Products Corp. v. Sinko Tool & Mfg. Co.*, 116 F. 2d 119 (7th Cir. 1940), cert. denied 312 U. S. 693 (1940); and see the alternative basis for our decision in *Automatic Paper* [308] *Machinery Co. v. Marcalus Mfg. Co.*, 147 F. 2d 608, 610-612 (1945). These case are the product of *Westinghouse Electric and Mfg. Co. v. Formica Insulation Co.*, 266 U. S. 342, 351 (1924). The latter case involved a suit for infringement against the assignor of a patent. While recognizing that the assignor was estopped to contest the validity of the patent, the Supreme Court, in accordance with existing law, held that the prior art may be used to construe and narrow the claims of the patent "conceding their validity". We said, in the *Automatic Paper Machinery* case that complete anticipation might be shown. In affirming our decision, *sub nom. Scott Paper Co. v. Marcalus Mfg. Co.*, the Supreme Court did not rely upon our alternative holding.

Appendix.

It was not the purpose of the *Formica* case to nullify contracts with respect to the licensing of patent property. Indeed, the decision recognizes the co-existence of the estoppel doctrine; the distinction between attacking validity and construing and narrowing claims was characterized as a "nice one but seems to be workable". 266 U. S. at page 351. Neither that decision nor our own was predicated upon an overriding public policy. Rather, the Formica decision was designed to meet the situation where some doubt existed between the parties as to the true scope of the patent claims. In the instant case, there is no pretense of doubt concerning the claims of the Fink-Richardson patent, nor are the parties hereto disputing infringement.

All of the offered prior art, except Fresenius, was alleged in the prior declaratory judgment action brought by Hall against Nalco. The effect of the compromise of that suit, of which the license agreement was a part, was to settle for the parties the question of the relevance of the prior art. Hall has effectively laid to rest the question of the validity of the Fink-Richardson patent, insofar as the prior art is concerned, and its applicability to its practice, which even now is conceded to be that of the Fink-Richardson patent. By the same token, the applicability of the Fresenius text, even as interpreted by the federal court in Minnesota, was known to Hall before the settlement, and Hall chose to lay it aside as well.

Consequently, this case does not present a proper basis for the application of the Formica rule.

Except for a disclosure which came to light on this appeal we should be obliged to affirm the judgment of

the District Court for the reasons stated. It now, appears, however, that three patents relied upon by Hall, and referred to in the complaint in this action, as anticipating the Fink-Richardson patent, expired prior to the filing of the District Court's opinion on March 24, 1954. These are Judson, No. 1,924,861, issued August 29, 1933, Burk, No. 2,063,788, issued December 8, 1936, and Rosenstein, No. 2,038,316, issued April 21, 1936. It is clear that under the Scott Paper case these patents would have had to have been considered had they expired at the time of the filing of the complaint, for that decision presupposes that the parties cannot by any form of agreement contravene the statutory policy which terminates the patent monopoly after the stated interval. Hall should have amended its complaint accordingly, but its failure to do so is not fatal, since the Rules permitting amendments are liberally applied, and since the Scott Paper case leaves an open avenue. The issue, whether the expired patents correspond with Fink-Richardson, remains and the record will not admit of final decision of that issue in this Court.

For the reasons stated, the judgment of the District Court will be vacated and the cause remanded for further proceedings not inconsistent herewith.

BIGGS, *Chief Judge,* dissenting in part and concurring in part.

The majority opinion holds that because of the compromise agreement of the first declaratory judgment suit by Hall and Nalco (Delaware C.A. 538), because of the license issued thereunder to Hall [309] authorizing it to employ the processes of the Fink-Richardson patent in issue and because of the "final judgment" of the court below dismissing the suit on stipulation of Hall and Nalco, the court below on remand can consider, under the Marcalus doctrine of the Supreme Court, Scott Paper Co. v. Marcalus Manufacturing Co., Inc., 326 U.S. 249 (1945), *only* whether the Judson Patent, No. 1,924,861, the Burk Patent, No. 2,063,788, and the Rosenstein Patent, No. 2,038,316 (all of which expired prior to the entry of the judgment appealed from) can be employed to limit the claims of the Fink-Richardson patent; that all other prior art, including prior public use and sale cannot be employed to limit the claims. This is the only substantial issue presented by the appeal at bar. Cf. Westinghouse Co. v. Formica Co., 266 U.S. 342 (1924).

The Supreme Court's ruling in Marcalus does not require such a result and our opinion in that case looks decidedly the other way. The Supreme Court in Marcalus did *not* hold that prior art (other than prior expired patents) could not be employed by the vendor of the patent to limit claims.

Our opinion in Marcalus said: "If we are correct in our conclusion that under the rule of the Formica decision the prior art measures the extent of the anticipation and the anticipation *limits* the claims, anticipation be-

ing complete in the instant case, the claims of the patent must be limited to nought." See 147 F. 2d at p. 613. True this was *dictum* for it was not necessary to go this far in Marcalus. But in the instant case on the present record it is necessary to decide whether prior art, other than prior expired patents, can be employed to limit the claims of Fink-Richardson. This is so because Hall has pleaded not only prior art as represented by the patents hereinbefore referred to but has also pleaded prior public use and sale.

The majority relies, as did Chief Judge Leahy in the court below, on the established doctrine that where a voluntary compromise is reached it is normally binding, as is any contract. I agree. But, aside from the Formica-Marcalus exception as to limitation of claims, it has always been the law that a licensee could not attack the patent under which he was licensed. Under the Formica-Marcalus doctrine the overriding consideration became and is the limitation of monopoly for the public good, so that attack can be permitted. There is no sound reason why the courts should permit a license, even though issued pursuant to a compromise agreement and after a judgment of dismissal agreed to by the parties, to be employed as a bar to an attack on a monopoly.

The majority opinion states that the estoppel principle is not "moribund", referring to Automatic Radio & Mfg. Co. v. Hazeltine, 339 U.S. 827 (1950) and quoting from that opinion. But the issue as to whether the Marcalus doctrine was to be limited to prior art represented by expired patents was simply not in focus in the majority opinion of the Supreme Court in that case though Mr. Justice Douglas referred to Marcalus in his

dissent. This is demonstrated by the fact that in the opinion in Automatic Radio v. Hazeltine in the United States District Court for the District of Massachusetts, 77 F. Supp. 493, 497, no mention is made of prior art. The Court of Appeals for the First Circuit by Chief Judge Magruder said: "Although Automatic's motion for summary judgment and its supporting affidavit make the general statement that none of Hazeltine's patents covered by the license are valid, no concrete attempt was made to buttress these assertions, and the District Court concluded: 'Furthermore, the defendant does not purport to contest the validity of all plaintiff's patents.' D.C. 77 F. Supp. at page 497." See 176 F. 2d at p. 806.

In conclusion it should be pointed out that in Marcalus Mr. Chief Justice Stone laid emphasis on the patent statute itself. He said, 326 U.S. at pp. 257-8 [310]: "The interest in private good faith is not a universal touchstone which can be made the means of sacrificing a public interest secured by an appropriate exercise of the legislative power. The patent laws preclude us from saying that the patent assignment, which they authorize, operates to estop the assignor from asserting that which the patent laws prescribe, namely, that the invention of an expired patent is dedicated to the public, of which the assignor is a member.

"The judgment is affirmed for the reason that we find that the application of the doctrine of estoppel so as to foreclose the assignor of a patent from asserting the right to make use of the prior art invention of an expired patent, which anticipates that of the assigned patent, is inconsistent with the patent laws which dedicate to public use the invention of an expired patent.

The assignor has a complete defense to an action for infringement where the alleged infringing device is that of an expired patent."

Mr. Chief Justice Stone stated in substance that since the patent statute proscribed the continuation of a patent monopoly beyond 17 years as assignor is not estopped to limit the claims of his assignee's patent where the disclosures of the patent lie in the public domain by virtue of a prior expired patent. I cannot conclude that prior art made available by the expiration of a patent monopoly by the terms of the patent statute is entitled to greater weight in effecting the limitation of claims than any other prior art. Mr. Justice Reed and Mr. Justice Frankfurter[1] indicated somewhat similar views in their dissenting opinions in Marcalus, 326 U.S. respectively at page 258 and page 263.

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1. Mr. Justice Frankfurter stated in Marcalus as a basis for his dissent, 326 U.S. at pp. 258-259: "When by a fair and free bargain a man sells something to another, it hardly lies in his mouth to say, 'I have sold you nothing.' It certainly offends the rudimentary sense of justice for courts to support one who purports to sell something to another in saying 'What I have sold you is worthless,' even though he did not expressly promise that what he sold had worth."

The situation at bar is very different, however, from those which were before the Supreme Court in Marcalus and Formica. In the Marcalus case, Marcalus sold his patent to his own company for stock. In Formica, it was said that "* * * an assignor of a patent right is estopped to attack the utility, novelty or validity of a patented invention which he has assigned or granted as against any one claiming the right under his assignment or grant." 266 U. S. at p. 349. But here, by analogy, Nalco is the vendor and Hall, the vendee: Nalco, the assignor, and Hall, the assignee.

But, quite aside from the foregoing, under the new Patent Act, in effect January 1, 1953, approximately fifteen months before the judgment in the instant case was handed down, the granting of a patent monopoly was proscribed where there was only an *unobvious* advance over the prior art: for example, where the patent disclosed only prior art plus mere mechanical skill or ingenuity.[2] It appears, therefore, that at the time of the judgment of the court below there was a statutory prohibition of the sort specifically referred to by Mr. Chief Justice Stone in Marcalus. An attack by way of limitation of claims based upon an existing statutory prohibition as here therefore should be allowed on the basis of the entire existing art. The fundamental law itself authorizes the attack. Article I, Section 8, of the Constitution.

For the reasons stated I dissent from the limiting views expressed in the majority opinion. I agree with the majority, however, that the judgment should be vacated and the cause remanded for further treatment.

JUDGMENT OF THE COURT OF APPEALS ENTERED JUNE 22, 1955. ON APPEAL FROM THE UNITED STATES DISTRICT COURT For the District of Delaware.

Present:

BIGGS, *Chief Judge,* and
MARIS and KALODNER, *Circuit Judges.*

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2. It appears from the Reviser's Note, cited to Section 103, Title 35, USC, that the provisions of Section 103 are a statutory expression of the law as it existed prior to January 1, 1953.

II.

Judgment.

[Entered June 22, 1955]

This cause came on to be heard on the record from the United States District Court for the District of Delaware and was argued by counsel.

On consideration whereof, it is now here ordered and adjudged by this Court that the judgment of the said District Court in this case be, and the same is hereby vacated, and the cause remanded for further proceedings not inconsistent with the opinion of this court.

III.

Statute Involved

[Section 103 of Title 35, U.S.C. is directly involved. Section 102 is also printed since Section 103 refers to it].

35 U.S.C. 102: Conditions for patentability; novelty and loss of right to patent

A person shall be entitled to a patent unless—

(a) the invention was known or used by others in this country, or patented or described in a printed publication in this or a foreign country, before the invention thereof by the applicant for patent, or

(b) the invention was patented or described in a printed publication in this or a foreign country or in public use or on sale in this country, more than one year prior to the date of the application for patent in the United States, or

(c) he has abandoned the invention, or

(d) the invention was first patented or caused to be patented by the applicant or his legal representatives

or assigns in a foreign country prior to the date of the application for patent in this country on an application filed more than twelve months before the filing of the application in the United States, or

(e) the invention was described in a patent granted on an application for patent by another filed in the United States before the invention thereof by the applicant for patent, or

(f) he did not himself invent the subject matter sought to be patented, or

(g) before the applicant's invention thereof the invention was made in this country by another who had not abandoned, suppressed, or concealed it. In determining priority of invention there shall be considered not only the respective dates of conception and reduction to practice of the invention, but also the reasonable diligence of one who was first to conceive and last to reduce to practice, from a time prior to conception by the other. July 19, 1952, c. 950, § 1, 66 Stat. 797.

35 U.S.C. 103: Conditions for patentability; non-obvious subject matter

A patent may not be obtained though the invention is not identically disclosed or described as set forth in section 102 of this title, if the differences between the subject matter sought to be patented and the prior art are such that the subject matter as a whole would have been obvious at the time the invention was made to a person having ordinary skill in the art to which said subject matter pertains. Patentability shall not be negatived by the manner in which the invention was made. July 19, 1952, c. 950, § 1, 66 Stat. 798.

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1955.

No. 508

HALL LABORATORIES, INCORPORATED, THE BUROMIN COMPANY, CALGON, INCORPORATED AND HAGAN CORPORATION,

Cross-Petitioners,

vs.

NATIONAL ALUMINATE CORPORATION,

Cross-Respondent.

BRIEF FOR CROSS-RESPONDENT, NATIONAL ALUMINATE CORPORATION, IN OPPOSITION TO PETITION FOR A CROSS-WRIT OF CERTIORARI.

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November, 1955.

THE SUPREME PRINTING COMPANY, CHICAGO

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The court below held that the Hall companies were estopped to question their liability for royalties by contesting the validity or scope of the licensed (Fink-Richardson) patent, (Petition, p. 33). However, it also held that the estoppels did not apply as to the prior (Judson, Burk and Rosenstein) patents which expired during the pendency of the litigation, citing *Scott Paper Co.* v. *Marcalus Co.*, 326 U. S. 249 (1950), as requiring this exception to the estoppel (Petition, pp. 21-22). National Aluminate Corporation has filed its petition for certiorari seeking a review of that portion of the judgment which made the exception to the

estoppel doctrine (No. 478, October Term 1955). In their petition for a cross-writ, the Hall companies seek a review of the balance of the judgment, asserting that the court below erred in holding that there were any estoppels at all, and that they can invoke the prior art generally to avoid their liability for royalties.

We believe there is no basis for a cross-writ.

QUESTIONS PRESENTED.

The list of "Questions Presented" appearing in the Hall companies' petition (p. 2) is inaccurate. First, it does not disclose that the effect of the relief which the Hall companies assert would be to permit a contest of the validity of the Fink-Richardson patent. Second, it presents the matter as though this were a case involving a question of patent infringement, which it is not. This case involves the question of liability for royalties under a patent license in which the licensees, in settlement of previous litigation, have agreed to pay royalties based on the practice of a process specifically defined in the license agreement and which they are admittedly practicing. We believe that the following is a more accurate statement of the questions presented:

1. Do the *Formica* and *Marcalus* cases (*Westinghouse Co.* v. *Formica Co.*, 266 U. S. 342 (1924); *Scott Paper Co.* v. *Marcalus Co.*, 326 U. S. 249 (1945)) authorize patent licensees to contest liability for royalties by attempting to show a complete anticipation of the licensed patent by the prior art, *i.e.* contesting validity of the patent. If so, can they make such contest of validity on the basis of the alleged prior art other than prior expired patents?

2. Do the *Formica* and *Marcalus* cases authorize licensees to contest liability for royalties on the ground that

they are following the prior art, when they are admittedly engaging in the practices which form the agreed measure of their liability for royalties under the terms of the license agreement?

3. Can patent licensees who took the license as a part of the compromise and settlement of previous patent litigation, contest liability for royalty payments under the license on the basis of alleged prior art which they had pleaded in the litigation which was compromised and settled or which was known to them at the time of such compromise and settlement?

4. Did Section 103 of the Patent Act of 1952 (35 U. S. C. Section 103), change the law and render inapplicable the estoppels previously imposed upon patent licensees?

The foregoing questions relate to reliance on the prior art generally. The question whether there is an exception to the usual estoppels imposed on the licensee which permits him to invoke expired patents is the subject of National Aluminate Corporation's petition for certiorari heretofore filed (No. 478).

STATEMENT OF FACTS.

While we do not agree with a number of the assertions contained in the Hall companies' "Statement of the Case"*, these inaccuracies do not bear upon the grant or denial of a cross-writ of certiorari, hence we make no counter-statement of the facts.

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* For example, the Hall companies assert (pp. 6-7) that the court below "tacitly" agreed that the Fresenius publication, cited as prior art, disclosed everything in the Fink-Richardson patent, *i.e.*, that the court below "tacitly" reversed the trial court's finding to the contrary. The fact is that the court below held that the Hall companies were estopped to contest the validity of the Fink-Richardson patent, hence found it unnecessary to pass upon the correctness of the trial court's ruling that the Hall companies' practices did not correspond with the Fresenius text.

ARGUMENT.

(1) The Hall companies' petition in substance asserts that there is no longer any estoppel against the patent licensee to contest validity of the licensed patent. The Hall companies do not say so in so many words, and in their statement of "Questions Presented" talk about "comparison of accused practices" with the prior art (Petition, pp. 2-3). However, when the licensee asserts, as the Hall companies do here (Petition, p. 5), that the alleged prior art which he wishes to prove constitutes a complete anticipation of the licensed patent, then that is in fact a contest of the validity of the patent, regardless of what terminology is selected. That this is so is recognized by Chief Justice Biggs in his dissent in this case, on which the Hall companies heavily rely. He said that an "attack" by the licensee upon the patent under which he is licensed "can be permitted" (Petition, p. 24).

This Court, in *Automatic Radio Co.* v. *Hazeltine*, 339 U. S. 827, 836 (1950) reaffirmed the continued existence of the estoppel against the patent licensee to contest validity of the licensed patent. Under these circumstances there is obviously no merit in the suggestion by the Hall companies that the *Formica* and *Marcalus* cases (*Westinghouse Co.* v. *Formica Co.*, 266 U. S. 342 (1924); *Scott Paper Co.* v. *Marcalus Co.*, 326 U. S. 249 (1945)), taken together, authorize the licensee to show complete anticipation of the licensed patent, *i.e.*, to contest validity. Those two cases involved the issue of infringement, whereas *Hazeltine* and this case involve a question of liability for royalties, where the licensees are admittedly engaging in the activities specified in the agreement as the measure of liability for royalties. It is true that Chief Judge Biggs in his dissent below, suggested a "Formica-Marcalus" doctrine authorizing an attack on the validity

of the patent. This contention ignores the *Hazeltine* case. It is also inconsistent with the opinion which he wrote for the court in *Cold Metal Process Co.* v. *United Eng. & Fdry. Co.*, (C. A. 3, 1951) 190 F. (2) 217, 220, decided after *Formica* and *Marcalus*, in which he said that the licensee "cannot attack the validity of a patent under which it is licensed."

(2) Even if the Hall companies were merely seeking to compare their activities with the prior art, as they suggest, still no issue would be presented, for their activities admittedly come within the scope of the license agreement. They are admittedly practicing the process defined in the license agreement which forms the agreed measure of their liability for royalties.* This Court pointed out in *United States* v. *Harvey Steel Co.*, 196 U. S. 310 (1905), cited with approval in the *Hazeltine* case, 339 U. S. at 836, that under such circumstances the licensee is estopped to deny his liability for royalties. There is no issue as to validity, scope or infringement of the patent, and no basis for reference to the prior art.

(3) No basis is suggested by the Hall companies for their proposal that the binding effect of compromises and settlements of litigation should be ignored.

(4) Section 103 of the Patent Act of 1952 (35 U. S. C. 103), referred to by the Hall companies, says that a patent may not be obtained on that which was obvious to one skilled in the art. This is merely an express statement of a well settled interpretation of the previous patent statutes. In other words the section merely sets forth expressly the statutory prohibition which has always been inherent in the patent statutes. (*General Motors Corp.* v.

* The Court of Appeals in its opinion below pointed out that the Hall companies were not disputing the fact that they are practicing Fink-Richardson (Petition p. 21), and the Hall companies admit in their petition for certiorari that their activities are "within the range specified by Fink-Richardson" (Petition, p. 4).

Estate Stove Co. (C. A. 6, 1953), 203 F. (2) 912, 915, cert. den. 346 U. S. 822; *Gagnier Fibre Products* v. *Fourslides, Inc.* (D. C. Mich. 1953), 112 F. Supp. 926, 929.)

(5) The Hall companies by their petition for a cross-writ of certiorari are attempting to question well settled rules of law which were reaffirmed and re-enunciated as recently as the *Hazeltine* case. The only issue presented by the judgment of the Court of Appeals is that presented in National Aluminate Corporation's petition for certiorari, namely, whether the court below was correct in finding an exception to the usual estoppels imposed on the patent licensee, whereby such licensee must be permitted a hearing relative to expired patents. Accordingly National Aluminate Corporation's petition for certiorari should be granted and the petition of the Hall companies for a cross-writ of certiorari should be denied.

Respectfully submitted,

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NATIONAL ALUMINATE CORPORATION,
Cross-Respondent.

REPLY BRIEF FOR CROSS-PETITIONERS

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IN THE

Supreme Court of the United States

OCTOBER TERM, 1955

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REPLY BRIEF FOR CROSS-PETITIONERS

(1) The central core of the questions presented by this petition for a cross-writ is whether the *Formica-Marcalus* doctrine is applicable only to prior art as disclosed in United States patents (and only upon expiration thereof) of whether it is also applicable to other categories of prior art.

The absurd effect of the decision below, as it now stands, is that subject matter coming into the public

domain through a printed publication (although a statutory bar to a later patent, 35 U.S.C. 102(b)) may not be used without payment of royalty by a licensee under that patent whereas the identical subject matter can be invoked as a defense against the claim for royalties if the text writer has also published it in a patent and himself enjoyed a monopoly of it; but only if he has patented it here rather than in a foreign country, and only after such patent has expired.

The essence of Nalco's brief in opposition is that all uncertainty in this area was resolved by this Court's decision in *Automatic Radio Co. v. Hazeltine,* (1950) 339 U.S. 827, but that is the very point of division in the court below (cf., Appendix to Petition herein, pp. 19-20 and 24-25). And if *Hazeltine* was intended to overrule *Marcalus,* or make it inapplicable to licensor-licensee relationships, there is no logic whatever to the majority decision below, because (a) *Hazeltine* does not differentiate between different categories of prior art and (b) the majority below, while citing *Hazeltine,* applies the *Marcalus* doctrine. The injection of the *Hazeltine* case into the area of controversy thus emphasizes the present uncertainty and confusion on this important question and indicates that the Court should deal with the matter broadly and not limit its consideration to the questions (some relatively narrower) that reside in Nalco's petition at No. 478.

(2) Nalco's comments on Section 103 of the New Patent Act (Nalco's Br. 5-6) serve merely to show that the question raised by Chief Judge Biggs in his dissent is a substantial one that has not been, but should be, considered by this Court. Neither of the decisions of

lower courts cited by Nalco meets the point for which Chief Judge Biggs cites the new Act.

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